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LATIN AMERICA REPORT

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BRIEFS

OIL OUTPUT REDUCTION--Caracas, 6 Jun (AFP)--It was reported today that Venezuela closed 330 oil wells to abide by the decision of OPEC to reduce oil production by between 10 and 15 percent. In the recent OPEC meeting held in Geneva 12 days ago, Venezuela noted the appropriateness of freezing the current oil prices and reducing production in order to balance the international market which is experiencing an oversupply and large inventories of oil. Before the OPEC decision, Venezuela was producing 2.2 million barrels per day. This nation officially announced a reduction of 130,000 barrels per day in its commitment of reaching 200,000 fewer barrels per day within the next few days. [Text] [PA071919 Paris AFP in Spanish 2223 GMT 6 Jun 81]

CSO: 3010/1425

JUSTICE MINISTER COMMENTS ON FLAWS IN SYSTEM

Buenos Aires SOMOS in Spanish 15 May 81 pp 30-32

[Interview with Minister of Justice Amadeo Frugoli; date and place not given]

[Text] The topic of a possible pardon for Isabel Peron is still being discussed in political circles, as is the possible Chilean proposal for holding an exchange of prisoners. In this conversation with SOMOS, the minister of justice, Amadeo Frugoli, discussed those subjects and others equally important, such as the slowness in the Argentine justice system and the role played by the judges. Following are the most important paragraphs from that conversation:

[Question] Did you recently analyze with President Viola the possibility of pardoning Isabel Peron?

[Answer] I gave him a detailed report on the legal status of Mrs Peron. At the president's order, I also reported to the cabinet about that status, but nothing more thereafter.

[Question] But is the possibility of a pardon being analyzed now?

[Answer] We in the Ministry of Justice are not analyzing the matter of pardon.

[Question] If the pardon occurs, will you sign the decree?

[Answer] It is within the jurisdiction of the minister of justice to have authority regarding pardons or the commutation of sentences. According to the new law on jurisdiction, "having authority" means bearing primary responsibility.

[Question] During recent months it has been stressed (in both Peronist and non-Peronist sectors) that the case of Isabel Peron is a political and not a legal case....

[Answer] The case is not political in the sense in which it is established in the National Constitution, nor with respect to the so-called question of political crimes which, according to our legislation, number no more than two: rebellion and sedition. Mrs Peron has not been tried for either of these.

[Question] It has been commented that the manner in which the proceedings were handled was political....

[Answer] Look, all the procedural guarantees were fulfilled in this case.

[Question] Could you give some concrete examples?

[Answer] I have a report attesting to the fact that all the circumstances were investigated extensively and carefully. Mrs Peron's main defense attorney (Julio Isaac Arriola) stated, on Page 1,302 of the 1977 case, seventh section: "...In tribute to the fairness of the proceedings, I must state that, in this concrete exercise of my ministry, I have had the benefit of the greatest and most extensive facilities from your lordship, who did not make any objection to the consecutive postponements, with grounds, which I requested. This represents a proper and just adherence to the right of defense in trials. Bearing in mind what has been stated is also justice." After this, do you still have any doubts?

[Question] But that does not preclude the fact that the case has had great political repercussions....

[Answer] That is an undeniable reality. But to say that the legal process was handled with a political criterion is different; it is something that is not true.

[Question] The man in the street, the taxpayer, still complains about the slowness of Argentine justice, and continues to cling to the view that a bad settlement is worth more than a good judgment. What do you intend to do in order to speed up the justice system?

[Answer] That is a matter on which there has been much discussion and which has reached the popular level as well. We are making a thorough study, so as to make decisions later; but I want to tell you that, generally speaking, when discussing the slowness of the justice system, people seem to start with the notion that there is a kind of ideal time in which the trials should be resolved.

[Question] Could an ideal time for proceedings involving the penal or labor jurisdiction be established, for example?

[Answer] No, it is almost impossible. One must resort to a general criterion, because there is no other, or at least none has occurred to me. The verdict should arrive before there is a loss of interest (this is meant in the sense of a desire for justice) that would prompt taking action.

[Question] Could you give a concrete example?

[Answer] If you have a mark on the wall and it is being removed, the judge's decision does not have to last longer than his legal interest which, in this instance, is that the matter be settled before the wall falls apart. That is an exaggerated example, but it serves to explain the idea.

[Question] Do you have daily cases which cause unwarranted delays in the courts?

[Answer] I could give you many examples: If the courts operate under overcrowded conditions, owing to the large number of cases, and physical inconvenience, of course it is more difficult to administer justice. If a procedural law is improper,

if the attorneys resort to specious procedural arguments to delay the process (commonly called "chicanery"), and if a judge does not deal with the cases with the proper speed and concern, delays also occur. I don't want to go into detail, but there is an enormous volume of cases.

[Question] Could an excessive desire to speed up the pace of the proceedings interfere with the equity of justice?

[Answer] When discussing the matter, one has to have two things clearly in mind. On the one hand, upholding the guarantees of due process; that is, seeing to it that none of the rights and guarantees established by the legal system are violated in any way. And, on the other, taking into consideration the principle of the speed of judicial processes based on the well-known fact that a belated justice is not justice. The presence of these guarantees entails an inevitable slowness which occurs in legally advanced countries as well.

[Question] But there are Western countries in which the justice system has a pace which, if not optimal, is at least understandable....

[Answer] In what case, what country?

[Question] The United States, for example.

[Answer] Then we read different reports, because I have seen reports of prominent American attorneys containing complaints about the slowness of certain proceedings, and not just there, but in other highly industrialized countries also. Some aspects have probably been resolved, but there are still complaints about the slowness of the proceedings.

[Question] Why?

[Answer] Look, something must be made clear here: This is a very widespread phenomenon in the Western world, where the doctrines protect the guarantees associated with judicial processes. In the communist world, that is not the case; the justice system is much faster, because it operates according to the wishes of the ruler currently in power.

[Question] When did the Argentine justice system begin to lose speed and efficiency for solving problems in an acceptable length of time?

[Answer] Well, in fact, this is a very long-standing problem. In 1898, if I am not mistaken, General Roca, in addressing the Congress, was already complaining about the slowness of the judicial processes. And since that time many things have happened in Argentina to make the problem become more acute, instead of being solved.

[Question] Thus far in the process, codes have been changed, buildings have been reconditioned and part of the legislation has been systematized. Were those only aspirins?

[Answer] The problem of the slowness is so important that it deserves a thorough study. I want to determine, with preciseness, exactness, objectivity and intellectual integrity, what the causes of the phenomenon are. It is for this reason

that I insist on the study that I mentioned to you previously. As for the measures which you cite, I believe that they were very constructive.

[Question] How long will it take you to accomplish this?

[Answer] I cannot give you an exact date, but I have requested cooperation from individuals and entities. I don't want to postpone things. We shall act as quickly as possible.

[Question] What are the first three measures that you will adopt immediately to reverse the situation?

[Answer] We shall not adopt any measures immediately, because this cannot be settled by adopting two or three measures irresponsibly. Wait until that study has been finished.

[Question] Recently, there occurred a challenge between a judge and a former federal judge, and a newspaper described the incident as "the war of the stars." People in the street commented that there had been a real scandal in the courts. As minister of justice, what is your view of the case?

[Answer] As minister, I do not interfere in matters which occur in the realm of the judicial branch, nor do I express opinions. I act in the area that pertains to me.

[Question] And what is your opinion as a lawyer, and as a citizen?

[Answer] I cannot divide myself into what I am. I answered you as a citizen, a lawyer and as minister of justice.

[Question] There are people who claim that there have recently been judges who have the label of stars. Does it appear to you that the image of sobriety, austerity and silence germane to a judge has changed with the passage of time?

[Answer] Look, I believe that a judge is a magistrate who has the important function of interpreting and applying the law. He must find the proper individual in the right and, in this connection, I do not think that the office has changed with the passage of time, and I believe that the judges are thoroughly familiar with it. Anything else is nothing but commentary....

[Question] Speaking of commentary, there are some who wonder whether a 36-year old judge could have the necessary balance and experience to hand down a death sentence, as occurred in the recent case at San Isidro.

[Answer] I adhere to what the National Constitution says about the qualifications that a magistrate must have. The Constitution establishes qualifications which the judge who handed down that decision possesses fully and completely. As a result, I believe that he has all the requirements for administering justice. Incidentally, I would tell you that the argument about age is highly debatable, not only in the justice system, but in all walks of life.

[Question] There has been talk recently about a possible exchange of prisoners with Chile. Are there any legal grounds that would make this possible?

[Answer] The Argentine Government did not at any time propose that option.

[Question] But it would appear that the Chilean Government has done so....

[Answer] I abide only by what our government decides.

[Question] Would there be any legal impediment against doing so if Chile requests it, in such an instance?

[Answer] I believe that, in this regard, the Argentine Government has taken into consideration a group of factors, so as to adopt the position that it assumed; anyway, for the present, these are conjectures.

2909

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GARAY DEMANDS PUBLIC ACCOUNT OF NATIONAL DEBT

Buenos Aires LA PRENSA in Spanish 11 May 81 pp 1, 4

[Article by Rogelio Garay: "The People Want To Know How Their Money Is Being Spent"]

[Text] The country's economic bankruptcy was brought a bit more into the open last Friday by Minister Sigaut's speech.

There are no funds. Tax receipts are insufficient. Dramatic austerity measures have to be resorted to in government spending. Resorting to does not mean implementing, however. The only favorable thing that we can say about the proposed measures to reduce the budget deficit is that they are absolutely necessary. But the gap between this and putting them into practice is as broad as between duty and pleasure, as between responsibility and irresponsibility.

The biggest enemy of any austerity measure is the illusion of money, whose powers of seduction affect all classes and countries. The basic psychological mechanism of the illusion of money operates like this: If I as an individual have twice as much money, I will be able to buy twice as many goods; therefore, if the country has twice as much money, it will be able to buy twice as many goods; therefore, if we create more money, we will have more goods.

This reasoning, which seems stupid when stated thus, has an enormous number of followers throughout the world and has been expressed in a thousand convoluted and sophisticated ways in our country for far too long. Kings were always tempted to devalue their currencies because it was a notably practical way to reduce their debts. The striking thing about Argentina is that the pressures to debase our currency are coming from all economic and social sectors, almost without exception.

In keeping with the Andalusian proverb "You better have all you owe, even if you owe all you have," the country has been constantly running up debts.

Two Idiosyncrasies

As Julio Camba says in his marvelous book "Londres," in which he compares Anglo-Saxon and Latin idiosyncrasies, "A Latin country sacrifice the present

for the future? Never. On the contrary, let's sacrifice the future for the present." From this, Camba concludes, stems the lack of success that insurance companies have always had in Spain and the heavy business that pawnshops and loan companies have always done.

Well, the same thing has been going on in Argentina. The only difference is that over the past 5 years our debts have been in dollars in addition to pesos. And now the time to pay up has arrived. The checks are being cashed, and the funds to cover them are just not there. But that's a horse of a different color, as Rudyard Kipling would say, and belongs to the bleak, dark chapter of Argentine foreign trade, which will be taken up in a subsequent article.

The unfortunate thing is that the Central Bank cannot sustain a massive write-off of the dollar-denominated loans that private individuals have taken out. That is why it has to keep domestic rates high enough to discourage company debt conversion from dollars into pesos, because there are not enough foreign exchange reserves left.

In order to keep interest rates high, it has to see to it that the money supply does not expand too much.

And the people in debt are finding little, if any, relief in the financial system.

This financial burden has to be borne, moreover, by a production machine that is so economically worn out that during the first quarter of this year the gross industrial product fell more than 4 percent from the already very low figures for the first quarter of 1980.

And What About the State?

Meanwhile, the State is in a position in which its revenues are considerably smaller than its expenditures, as demonstrated by the fact that during the first quarter the budget deficit stood at 4.2 percent of the gross domestic product.

And here we have the subtle and all-powerful phantom of monetary illusion. Should we do like the kings of yesteryear and continue devaluing our currency? For how long? Because this fictitious wealth shows its deceitful face before too long, when people realize that their money does not go as far as it used to.

If the unemployment rate is touching six percent, if we have a recession with inflation, what approach will the State take?

Minister Sigaut's speech is an answer, but unfortunately it is not enough. It just contains intentions, and the road to hell is paved with good intentions.

As recently as 9 October 1978, when Mr Martinez de Hoz announced a similar goal, I wrote in LA PRENSA:

"But just as the current economic team has so far been unable to beat inflation, which is obviously no longer just an economic problem but rather a social problem as well in which guidelines for behavior developed over decades are involved, the problem of the overblown Argentine state economic machine is also a longstanding, deeply-rooted issue that entails expensive solutions."

"Every Little Bit Helps"

In the first place, if we really want to save money, we have to go about it seriously, as in a wartime economy, without taking refuge in our own illusions.

A famous industrialist, the creator of a veritable empire, was once asked why in hard times he resorted to apparently ridiculous measures such as cutting down on the number of pencils per employee, eliminating taxicab rides, keeping an eye on electricity bills and so forth. "You might not believe it," he replied, "but in my town we have a saying that we always go by: 'Every little bit helps.'"

Cutting back requires as strict and as courageous a discipline and mentality as needed to take a hill by infantry assault. This is the kind of courage demanded of us in this peacetime struggle, and it is as important as bravery on the battlefield.

While the economy minister was addressing us, however, another minister, who for the time being shall be nameless, was spending a great deal of money getting set up on the second floor of a downtown building, without a thought for either the present or the future, and other officials are not in the least embarrassed to fly overseas in first class instead of tourist, which is much less expensive. It is as if rank were more important than their poor, debt-ridden country, and as if their overseas mission were going to turn out better if they travel for 12 or 14 hours in a softer seat or get to look at a prettier stewardess.

The government is full of this kind of waste. Treasury-supported dining halls for officials and authorities, government cars, purchases without rhyme or reason and projects worthy of the Pharaohs are a constant in our seriously ill country.

The only way to put an end to this is by publishing the expenditures figures for the entire government, item by item, as truly democratic countries do, so that the taxpayers can see, without cover-ups, how their money is being spent. As Sancho Panza says, "An honest man is not afraid to be open-handed." Honest officials have nothing to hide, and the citizenry is entitled to an exhaustive accounting of how public funds are spent. Only in this way will we be able to enforce the austerity that we sorely need to get through the dark days that our short-term economic future has in store for us.

VIOLA'S INITIAL PERIOD MARKED BY DISSENSION

Buenos Aires SOMOS in Spanish 15 May 81 pp 4-8

[Article by Tabare Areas: "The War of Rumors"]

"Galtieri and Nicolaidis called upon Viola for a week to amend his domestic policy." It was shortly after noon last Friday, and the excited stock exchange executive reportedly entered the office of the president of a century-old entity almost shouting the news.

"To amend what?" he was asked. "Well, I don't know," he is said to have answered; "but it appears that the matter is now in the Supreme Court of Justice, and that someone spoke with its members for the purpose of giving the problem an institutional solution." "But what is being questioned?" one of the collaborators of the official reportedly inquired. "It may be the issue of Peronism, the openness, the dialog with the unions, the matter involving Chile...I don't know; it has not yet been told," the informant is claimed to have replied.

That scene marked the "peak" of the wave of rumors that circulated in Buenos Aires several days ago, to the point where, henceforth, when mention is made of the "week of the rumor," it will be quite well identified, without need to refer to the calendar. Why? For at least one fundamental reason: because it was very different (in daring) from the wave of rumors that circulated during the worst part of the financial crisis.

The weekend brought a little "oxygen" to the government structure, but nevertheless (according to many observers) the feeling that "something was about to happen" continued to float in the atmosphere. Perhaps that feeling was what prompted the highest military echelon to make a few moves. On Tuesday, on the fifth floor of the Libertador Building, Gen Alfredo Saint Jean (secretary general of the Army) summoned the accredited reporters and denied the existence of differences of opinion between President Roberto Viola and the commander in chief of the Army, Lt Gen Leopoldo Fortunato Galtieri. He remarked: "The stories or rumors that are circulating will not upset the advancement of the process. This type of rumor does not cause us any uneasiness; on the contrary, it gives us strength for revitalizing the process." After that, the "week of the rumor" began deflating almost as fast as it had intensified several days earlier.

The Rumor

Who started the rumor? The question was asked (in a concerned tone) by the highest ranking echelons of the Armed Forces and the Casa Rosada. According to confidential reports obtained by SOMOS on those levels, it all began on Friday morning in the courts, when a leading official leaked to members of the high court that he had received information from a trustworthy (sic) source who claimed that, on that very night, the government might become destabilized after a dramatic meeting. The accounts claim that the members of the court (each one on his own) summoned their friends to inquire about the rumor, and that those friends, in turn, repeated the telephone calls. Within a few hours (as always), an endless series of calls took place, which had as their origin the same source. Hence, the rumor was not to be easily scuttled. At noon, the story had already become a snowball. The newsmen in the editorial rooms of newspapers and magazines did not cease to receive calls from friends (and even from public officials) who wanted to know what was going on. No one emerged in the governmental area to offer an explanation. However, when one high-ranking member of the military agreed to a strictly "off the record" interview, he stated with conviction: "Nothing is going on here."

On that same Friday, the third package of measures from the economic team was due to be announced, and the stories circulating in the City Bank claimed that there had been major disagreements within the Sigaut staff, and that the resignations of two ministers: Jorge Aguado (Agriculture) and Eduardo Valentin Oxenford (Industry) had even taken place.

The rumor concerning "troubled waters" in the government entered the Ministry of Economy at about 1630 hours in the afternoon. Just a little while later, the economic cabinet meeting revealed some discord among the ministers regarding the third package. As was noted later, Oxenford flatly rejected the reestablishment of the retirement contributions by management, because he considered them contrary to the spirit of reactivating the productive apparatus dictated by President Viola. The planned amendment of the VAT (Value Added Tax) (in a greater or lesser degree) was also said to have caused differences in the economic cabinet, especially in the areas directly or indirectly associated with the agricultural-livestock sector. Some disloyal individuals claimed that Aguado and Oxenford had challenged Minister Lorenzo Sigaut on the increase in interest rates and the flight of foreign exchange recently, as a result of the first and second packages. In principle, they are said to have requested that the Central Bank introduce more liquidity on the market to cause the rates to drop, to which the technicians reportedly responded that this would be a way of financing the egress of dollars. It is stressed that then, Aguado and Oxenford demanded an additional devaluation of 10 percent.

Sigaut

That issue stirred up the political cauldron at the beginning of the week. The same sources said that, in view of the intransigence of Sigaut's "mini-team" (Hugo Lamónica, Horacio Arce, Osvaldo Setuain, Jorge Berardi and Martin Lagos), Oxenford had declared himself powerless to handle the situation of the complaining industrialists and had therefore offered to resign. The minister himself reportedly told him then that it was not necessary to take the situation to such extremes, and

that he himself was willing to go to the Industrial Union (if need be) to explain to the business owners why their demands could not be considered. As if to confirm that rumor, Sigaut actually went to talk with the industrialists on Monday, at a luncheon arranged in the Carlos Pellegrini Building, in Retiro.

With that atmosphere, the meetings in the Ministry of Economy offices occurred one after another that Friday, always under the erroneous impression that the government's political stability was undergoing a difficult period, to deal with the group of measures which (on the basis of other meetings) failed to resolve the three driest issues with the highest political temperature: VAT, wage increase and management contributions; although it contained structural measures for cutting the state's spending. According to certain individuals close to him, Sigaut learned about the rumors that were circulating publicly when two newsmen approached him (before the conversation started) and asked him about the matter, receiving a gesture of surprise in response.

Why was the Palace of Treasury being viewed so attentively? During the week (as the stories and rumors increased), there was persistent talk in many centers of power about a likely political reappearance of the leading personages associated with the team of former Minister Jose Alfredo Martinez de Hoz who (still according to the wave of rumors) were unwilling to observe in silence the changes that are taking place in the economic leadership. In more than one political huddle, one heard the claim: "The Martinez de Hoz line is preparing for its return." However, if a rumor is to attain status as such, it has to be likely. That is something which is not unknown to those who were handling or interpreting this information, and who witnessed an event which (interpreted according to the view of the interested party) regarded that need to have been fulfilled: Former President Rafael Videla had lunch in the Casa Rosada dining room with President Viola. And the fact that this meeting took place only 4 days before Sigaut's third package was made public prompted much comment.

Chile

In the internal area, other rumors attempted to depict an agitated predicament: those stemming from the closing of the border because of the incident with Chile, and the statements made by Gens Leopoldo Fortunato Galtieri (on 20 April at the Casa Rosada) and Cristino Nicolaides (on 25 April, in Cordoba), stressing that the total power is in the hands of the Military Junta. In the first instance, the rumors claimed that Galtieri had acted unilaterally, ordering the border closed without consulting President Viola, and that this had annoyed more than one cabinet minister. Based on the power structure that currently prevails and the political and military handling of the border problem, it is difficult to claim that things occurred in this way. Unless the commander himself comes out publicly to say so, it seems like something that has embarked on the realm of the most daring fantasy.

As for Galtieri's statements in the press room at the Casa Rosada, the explanation given by the secretary general of the Army himself, Alfredo Saint Jean (who is, in turn, the natural political adviser of the commander in chief), confirmed the fact that they had given a great deal to talk about. He said: "The commander wanted to express his total agreement with the head of state, but perhaps his way of stating it left behind some concern, which should not worry anyone." Those comments were

to be accompanied by a function which the bad weather on Tuesday served to postpone. Galtieri and Viola had planned to go in the evening to the River Plate stadium to watch the Boca-Racing match together. According to many observers, this was a way of belying the "differences of opinion."

Meanwhile, other stories (accompanying the "big rumor") claimed that there were differences in views between Viola and Galtieri regarding the rate at which the holding of the dialog and the political openness should take place. A reminder was given at the time of the comments made by the president's political minister (Horacio Tomas Liendo) a few days after taking office, to the effect that Justicialism would be a valid spokesman, something which was not well received by the Military Junta; and also that, after those statements (and a subsequent explanation), the minister of interior did not put so much "gunpowder" in his public declarations again.

That fact, plus the comments that the minister of labor made to a weekly publication, referring to the Peronist trade unionists, is said to have laid the groundwork for (according to the rumors) the disclosure of a difference of views between Viola and Galtieri on the way in which the political time element should be managed, because Galtieri is said to have favored not lending it such an accelerated rate.

The Newspapers

On Sunday, those who read the political commentary in LA NACION and LA PRENSA had the impression that the government would have to take steps to compensate, in some way, for a certain lack of official information reflected by the columnists. LA NACION headlined its "Political Week" section with a question: "Does Galtieri Resemble Lanusse?"; while LA PRENSA, with an article signed by J. Iglesias Rouco, had the headline "In the State of the Rumor." In both instances, there was a repetition of the stories that had been circulating in the courts the previous Friday, and on Tuesday Saint Jean spoke with the reporters. But beyond that, one received the impression from various military sources that the treatment which those newspapers had given to the topic caused at least surprise.

In the area of explanations, there were some who placed emphasis on citing the differences that exist in Viola's relations with Videla and Galtieri. They stress that a relationship such as the one that exists between the president and Videla would be very difficult to repeat in Argentine politico-military history: They were classmates, and comrades in arms, and are close friends; their families visit each other, and furthermore they have no opposing political concepts.

The case of Galtieri and Viola is different, although no one is unaware of the good relations between them. They were not comrades in arms nor classmates, and the treatment began to become more smooth and intensified during recent years.

The advisers appointed by President Viola did not escape the "storm" either. In the middle of the week, when there was stress in various parts of the government on the need to reduce public spending, another rumor claimed that there was uneasiness in certain key areas of power over the naming of 19 advisers. Why? The rumor emphasized that it would be a contradiction to call for a cut in the state's expenses on the one hand and, on the other, to appoint that number of direct advisers to the president. The rumor also noted that no one actually knew what their

exact functions were; and the question was asked whether a power parallel to that of the ministers was not being created.

On Thursday, 30 April, on pages 2 and 3 of the OFFICIAL BULLETIN, Decrees Nos 139, 140, 141 and 142 were published, naming as advisers Cols Felip Manzano, Adolfo Pena, Jose Lagomarsino, Roque Presti and Jose Maria Villafane; Drs Leonardo Simone and Juan Jose Ryan; and Guillermo Vinicio Di Marzo and Alfredo Olivera. Those names were added to the 10 already published previously, but not cited in the OFFICIAL BULLETIN until that day: Jose Antonio Romero Feris, Guillermo Acuna Anzorena and Francisco Moyano (political matters), Raymundo Podesta (industry), Omar Vaquir (Arab affairs), Albano Harguindeguy (defense) and Hugo Miatello, the present ambassador to Chile. The list is completed with three military advisers (one for each branch of service): Rear Adm Oscar Abriata, Brig Gen Ernesto Niethard and Lt Col Enrique Gimenez.

Actually, there would be two different levels of advisers, because in the decrees making the appointment the group of 10 is categorized with a code ending in 005, and the group of nine with the ending 001. What is the difference? Some earn a salary close to 11 million pesos, and the second group earns about 6 million. That difference in pay would obviously make a difference in the importance, or weight carried by the advisers.

As for the functions, official sources repeat that they will not compete with the ministers, that they do not comprise an organic entity, that they report directly to the president and that they are no reserve bank for future or likely changes in the national cabinet. Each of them will have missions that are clearly and precisely determined by President Viola.

The Politicians

The "week of the rumor" did not overlook the political parties, in which the reactions were (visibly or privately) directed toward strengthening Viola (sic). The vast majority of political leaders think that Viola is a reassurance of the political openness which could provide a degree of balance against certain military sectors known to be "hard" regarding the way in which the specifically political issue ought to be handled. Two facts helped to establish that movement which had, thus far, acted in a rather underground fashion: one, the document "You Will Be What You Must Be" and the other, the communique from the Democratic Socialist Party.

The former resulted from the talks which various politicians held at the Plata Club, an entity headed by Marcelo Sanchez Sorondo; although it appears to be no secret that the one response for collecting the signatures was the Social Christian party member from Tucuman, Carlos Imbaud. On the night when the Development movement introduced the book entitled "The Argentine Crisis," Imbaud arrived at the MID [Integration and Development Movement] committee (Ayacucho 49), spoke with the secretary general, Francisco Aguirre, and gave him a copy of the statement, asking him for the Development member signature. Aguirre delayed in responding, but his eventual reply was negative, the same as that given at nearly the same time by the Radicals.

The MID did not sign but, on the other hand, it did sign (through Americo Garcia and Francisco Aguirre) the multisectorial document which (according to suspicious

observers) demanded the enforcement of the National Constitution and the state of law under the protection of the Permanent Assembly for Human Rights.

On 5 May, the document of the Socialists headed by Americo Ghioldi had already paved the way for the wave of rumors not to die out. At the very heading of the two double-spaced typewritten pages it stated: "The people need to regain confidence and security. The differences of opinion between those who exercise the power, that is, the Military Junta and the president, are public knowledge...." No political observer or government official, upon reading the communique, was unaware of the fact that Prof Americo Ghioldi had had a respectful dialog with the government, and that he could not by any means be considered one who would bomb the process.

Galtieri

Could Galtieri have a political design different from that of Viola, as other rumors stress? The question also circulated persistently between Tuesday and Friday, while other stories cited Antonio Domingo Bussi (the current chief of the strategic First Army Corps) as a name of increasing importance in the process. A high-ranking military commander gave SOMOS his interpretation of the question: "There cannot be different political designs, for the simple reason that there is a power structure which is operating in its entirety. That structure was consolidated when Viola was commander of the Army, in which Galtieri too was a general with an opinion. Furthermore, it should not be forgotten that this very structure dictates that the Military Junta (which includes the Navy and Air Force as well) devises the objectives and the executive branch implements the means for attaining them." Other sources list at least four reasons why there could not be a political design headed by Galtieri:

Because he is commander in chief of the Army;

Because he has good personal and professional relations with Viola;

Because he is aware that the only way of not moving backwards is by maintaining the unity of the internal front in the Army and in the Armed Forces;

Because he would not find a minimal consensus among civilians for that probable design.

The rumors did not respect the orderly environment of the Foreign Ministry either. It was said that Minister Oscar Camilion was "more than concerned" at the delay (on the level of the Military Junta) in giving approval for the individuals proposed to hold important Argentine embassy posts abroad. When the stories intensified, more than one inquisitive person wondered: Is that delay fortuitous?

The matter holds a certain amount of significance when one considers that, 45 days since Viola took over the government, there has not been an official appointment of any new ambassador, despite the fact that, a month ago, the candidates proposed to occupy embassies considered to be key ones for a consistent development of the "new atmosphere" promoted by the San Martin Palace began to be announced. Some of those embassies are those in the United States, Spain, Chile, Italy and France. The

standard procedure is for the foreign minister to submit the names to the president. Upon the latter's approval, the proposals are sent to the Military Junta, which has the final say, and which is the level on which some of the many names proposed by Camillon are now said to be located.

After the comments made on Tuesday by Gen Alfredo Saint Jean, the "week of the rumors" began to be deflated. But the arguments put forth confidentially by official informants did not serve to belie something which remained floating in the atmosphere: Some members of the military reportedly feel that the way in which the specifically political issue (dialog, openness, participation) is being handled has evoked undesired expectations in the civilian area. It was their interpretation that the political parties considered it a fact (and are pressuring for this) that Viola's will be the last military presidency in the process, and that, therefore, the handling of the political situation could become complicated in 1984.

Why? Simply because that possibility (the final military presidency) had not yet been considered on the highest echelons of the government.

2909

CSO: 3010/1419

UIA TERMS ECONOMIC MEASURES INADEQUATE

Buenos Aires LA PRENSA in Spanish 7 May 81 pp 1, 8

[Text] The Argentine Industrial Union (UIA) released a document last night in which it analyzes the current economic situation and the recent measures the government has adopted.

The document begins by saying that although the union agrees with the diagnosis that the nation's economy, treasury and finances minister made of the present economic situation and although it is aware of other conditioning factors, "the measures that have been adopted so far do not yet constitute an adequate structure for revitalizing the country's production machine. In particular, the new debt instruments do not meet industry's real needs."

"In short, the system of rediscounts is inadequate, is implemented through an insufficiently precise mechanism, is burdensome, gives financial institutions ultimate decision-making power regarding costs, volume and beneficiaries and might be inequitable in its treatment of many companies, depending on their size and location. Furthermore, the way payments are spread out is not suited to the goals that ought to be pursued."

Cost of Money

"The issue of the cost of money represents the essence of what the medium- and long-term financing of industrial sectors ought to be," the UIA document then states. "Manufacturing industries that can compete overseas entail an acknowledgement of the need for venture capital and of credit costs similar to those in the rest of the world."

In the highly developed countries with a smooth-running capital market, financing can be obtained for a very long term and at significantly lower costs than short-term commercial money. And this is aside from political stability and ground rules that enable the projects in question to be executed and companies to pay back principal and interest.

"In the developing countries, in which some of these conditions are lacking, negative domestic interest rates are resorted to in order to promote and facilitate new projects. In Argentina, which is faced with a high-priority task, reconstruction, the government ought to set promotional rates that are not directly linked to short-term rates."

"Moreover, external credit is in itself substantially more expensive in our country than in the developed countries, in which the surcharge due to political risk gives rise to middleman operations and underwriting costs."

Repayment Period

The UIA document then refers to the payback periods and asserts that "although the grace period is acceptable, we do not agree with the approach in setting the payback installments and the ultimate repayment period. They could have been made longer without jeopardizing an anti-inflation policy."

"The industrial crisis actually necessitates an emergency program that provides sufficient support, promotional rates and payback terms in keeping with the rebuilding of assets through realistic profit margins and genuine capital formation."

Implementation of Rediscounting

"With regard to the implementation of rediscounting, we should note that the mechanism imposed could enable creditors to demand mortgages or collateral, with the resulting higher costs to debtors, who might also have trouble maintaining their regular lines of credit."

"The system is vague and is open to interpretations that could alter the spirit in which it was approved. It could cause bureaucratic delays because of red tape, and the company rollover margin might be substantially less than 30 percent on the average."

"The regional economies and small- and medium-size companies, regardless of their efficiency and competitiveness, will find it harder to secure these loans."

"Their access to certain lines of financing is more difficult, and in this case the formalities to be observed and the delays they involve conspire against them."

"It will be exclusively up to the financial institutions to decide which companies qualify for these loans. This could lead to discrimination, especially if we bear in mind the difficulties that certain banks have in analyzing applications submitted and their resulting discretionary decision-making power as to the viability of companies. We must keep in mind that because of the prevailing situation, a very large percentage of industrialists have lost their bargaining ability with banks, and thus they will not always be able to work out reasonable conditions."

Reactivating the Market

"The UIA argues in conclusion that "the refinancing measures will by themselves be inadequate and ineffective if at the same time the government does

not ultimately aim at reactivating the market in which the companies do business and at a resulting restoration of their profitability, which will enable them to meet the obligations they have contracted. We still do not clearly see how the government will achieve its objectives through the moves it has made, and the tools to be used have not been clearly enough defined.

"Despite their limitations, the measures taken so far represent a positive change of course. Still lacking, however, are measures to restore the profitability of production units, which unquestionably must be based on rapidly boosting supply on the domestic and foreign markets and on correcting all of the factors that fall outside business activities, such as excessive government spending and the overall factors and inefficiencies that adversely affect costs."

8743

CSO: 3010/1340

TREASURY DEFICIT, PUBLIC DEBT, OTHER ECONOMIC TOPICS SURVEYED

Buenos Aires LA PRENSA in Spanish 10 May 81 Sec 3 p 1

[Article from "Observer" Column]

[Text] The authorities have decided that the budget deficit has to be reduced and to that end have taken a series of wideranging economic, financial and tax measures. Of course this facet of the issue has little or nothing to do with cutting government spending, which is another side to the economy and which will require more careful attention, inasmuch as it can be accomplished only through a wideranging and firm political decision.

First off, the State is offering to cut out all superfluous or unnecessary outlays, which should not be at all difficult because we would have to assume, on basic principles, that the government would want to do this to better administer public funds. Moreover, the prescription for "helping" to accomplish this task, which the current administration will not be solely responsible for, is simple and has been followed for many years now: the tax burden will rise, tax rates of all types will be adjusted, and new taxes will most likely be imposed on the citizenry in order to put this tremendous decision into practice. It is through these and other no less simple methods, derived from penetrating analyses, that governments at times succeed in reducing budget deficits in a fiscal year. This strategy, which has been around for a long time, is not of course tantamount to getting the country's production machine in gear again. Nor is the extension of some refinancing lines for old debts or bills past due, because in order to really accomplish this, business would have to be provided with a stable market that would enable it to secure rates of return compatible with the desired situation.

We can thus see that the State can achieve this first part of its budgetary goal through the wideranging tax collection mechanisms it has available.

Cutting Spending

An attempt to reduce public spending, however, means drafting and implementing an economic program that is quite a bit different from and more complex than the aforementioned steps. In principle, every reduction in public spending implies a cut in tax rates, because if the government is spending less money, it makes no sense to keep taxes high. This would be a boost to private investment, and we could expect a higher level of production activity than before taxes were cut. This would, in fact, get companies moving towards higher and better productivity.

At the same time, monetary policy ought to be tightened by holding back increases in the money supply and access to credit, because otherwise the State's ongoing pressures on the financial market would intensify and render the action taken fruitless. This would also entail strict control of money supply and credit expansion, which is tantamount to initiating a frontal assault on inflation, if we hold that the creation of money is the main cause of inflation, and it is. Another necessary step is to cut interest rates sharply, because otherwise it would be futile to try and contain inflation. We could deal another heavy blow to inflation by keeping state-run enterprises out of the local financial market.

Debts of State-Run Enterprises

The debts of public enterprises have reached a frightening level. Their overall indebtedness reportedly totals some \$11 billion, \$6 billion of which is supposed to be paid back this year. These figures have not been corrected, and all indications are that they are accurate. An official said with regard to this and other issues that the current exchange rate is the right one, that the drop in foreign exchange earnings is due to short-term and accounting factors and specifically that the country's foreign debt would not be rolled over; at most, he said, we will negotiate (?) a shift from short- to long-term payback installments.

Additional details on the debts of state-run enterprises confirm that their financial liabilities total \$8.85 billion while their commercial liabilities stand at no more than \$2.1 billion. Among the enterprises that are the worst off are Government Oil Deposits (its current president estimated this year's deficit at \$6 billion); Water and Power; SEGBA [Greater Buenos Aires Electrical Services], of course; Argentine Railways; Argentine Airlines; National Telecommunications Company and the North Patagonia Hydroelectric Company.

The reports we have secured also suggest that the original estimated level of savings is around \$1 billion, which would not resolve the debt structure because \$5 billion in investments are programmed. Financing for this year would thus amount to some \$3.2 billion; the Treasury would be in a position to provide some \$1.1 billion, and the state-run firms would have to obtain the rest in local financial markets.

The Dream of One's Own Bank

I really don't understand why I went wrong, a businessman was telling me, because instead of investing in my business, I should have set up a bank. The point here is that since the State instituted the new system, public enterprises have been borrowing enormous sums of money from local banks, which has triggered an uncalled-for rise in interest rates and in the cost of the services that the banks provide. Moreover, it is not clear why the State has decided that its enterprises (this is the ultimate issue) ought to resort to banks for the financing they might need when the Treasury could provide them with the money in the same fashion, with less red tape and, of course, at lower costs than they have to pay for the banking operations they engage in. Thus,

the banks obtain a sizable amount of money from the State which they later loan back to it, at a much higher cost, of course, and with a major impact on the costs of the services that the state's enterprises provide.

It is this simple fact that our businessman was referring to when he regretted not having set up a bank instead of continuing to chase after a dream that now seems unattainable to him.

Other Problems

Separately, according to the opinions of businessmen, the devaluation and related measures taken by the Ministry of Economy, Treasury and Finances are having the opposite of their intended effects, which is causing serious problems for exports of raw materials like tobacco. This crop has not been included in the "regional" category even though most of it is grown in border areas. Because of this omission, the export duties on tobacco stand at 12 percent. I should also mention that customs has not yet received the regulations for the proper enforcement of these measures and, therefore, charges 12 percent duties in all cases, without taking into account that the transactions are covered by payment in advance from exports shipped out before the devaluation, when there were no duties on this item. Tobacco is not the only product affected either; the situation applies to other exportable and exported merchandise as well.

Indices

The authorities have reported that the April cost of living index rose by 7.9 percent, while wholesale prices were up 12 percent, which clearly indicates what the outlook will be for the current month.

The fact is that this time businessmen and the public have chosen to let themselves be carried away by the "warm feeling" that the figure in question conveys, based on the increases that have been posted in shops, and they have arrived at the conclusion that the "feeling outpaces reality."

Of course this "feeling" is more of an "illusion" if we keep in mind that the rise in the cost of living, excluding meat prices (for vegetarians, in other words), was 8.4 percent. So far this year, the first 4 months, the cost of living has increased 24.7 percent, and the outlook is for the index to rise much further.

8743

CSO: 3010/1340

AUSTERITY MEASURES SEEN COUNTER TO EFFECTIVE ECONOMIC AIMS

Buenos Aires LA NACION in Spanish 13 May 81 p 8

[Editorial: "The Economic Situation"]

[Text] Our country's international accounts in 1980 recorded the sizable imbalance of \$10.978 billion. This means that the country overspent that amount of money. Our foreign indebtedness rose by \$8.128 billion, and our reserves fell by \$2.850 billion. We can estimate, in round figures, that the expenditures of each Argentine exceeded his income by 10 percent.

The imbalance was a sudden development, because for the previous year, 1979, it had totaled \$1.877 billion, which is a perfectly reasonable figure for our economy. The imbalance ought to shrink as quickly as it expanded, however, because the spectacular jump was not due to any major change in our economic structure or to changes in the world economy that might have had a serious effect on us, as was the case with the oil importing countries when prices rose after the shah of Iran fell. The jump was due to a serious squandering of resources stemming from the abandonment of public spending controls and, equally as important, from Central Bank losses to pay off the public's deposits in the financial institutions that were liquidated. We should also include the outlays for rearmament because of the conflict in the south.

These measures prompted a sizable increase in the money supply and the resulting increase in purchasing power. Although this caused a corresponding rise in the prices of products not subject to foreign competition, the same was not the case with items that are marketed overseas, due to what the minister of economy, treasury and finances has affectionately called the "exchange rate bind." Part of the excess purchasing power was channeled overseas in the form of more imports and higher tourism outlays, which produced a deficit of \$4.855 billion in the current account of the balance of payments. Many production enterprises saw their capital depleted as a result of lower sales, due to the difference between the cost of goods not subject to outside competition (wages, among other items) and prices that were subject to the "bind."

The measures to hold back public spending, which are having little effect on this year's budget, will probably not bring about much of a decline, but a decline nonetheless. It is to some extent possible that the Central Bank will recover assets from the institutions that closed down last year, and we can

assume that no more major institutions are going to go under. In addition, the papal mediation ought to put a damper on the rearming of the military.

The fact is that the monetary base has expanded by just 13 percent since the beginning of the year, which explains why the inflationary pressures of the 60 percent devaluation from then until now have not been so easily reflected in prices. We have also seen signs of a decline in imports.

If the trend holds, our trade account ought to be more in balance this year than last, when the deficit hit \$2.425 billion. In a word, the situation that led to last year's imbalance is turning around.

What we must realize very clearly, however, is that a policy (more than a policy, an unavoidable need) of reducing spending, be it public or private, does not trigger an upturn in overall economic activity, even if the government does promote certain export sectors or certain industries whose markets expand because of a drop in imports. It is a contradiction to say, as the president of the republic has, that the government is aiming at an upswing in economic activity while it orders austerity measures, unless he were to add that the upswing will come after our external accounts are in balance. A similar clarification would be necessary to lend consistency to the minister's assertion that white- and blue-collar workers "are the guests of honor" under the program because the upturn will generate a greater demand for labor. In this case as well, the obvious immediate effect of the austerity measures is an already tangible increase in unemployment and a falloff in real wages.

With regard to General Viola's second assertion in his first public address, concerning the restoration of confidence in the currency market, further details are urgently needed, and the monetary program of which this is a part must also be made public. Minister Sigaut has commented that consistent fiscal, monetary and exchange rate programs are needed to avoid a repetition of what happened last year. Now that the fiscal program has been revealed, the government must draft monetary and exchange rate programs. The disarray in the latter area, in the wake of the disregarded exchange rate table announced in March, the vague but also disregarded intention to devalue the peso two percent a month, and the minister's latest statement that further devaluation of the peso would be avoided (which also went by the boards, in April at least) requires urgent disclosure of these two programs. The loss of reserves in the midst of our export season demands it.

8743

CSO: 3010/1340

COST OF LIVING FIGURES PUBLISHED

Buenos Aires LA NACION in Spanish 8 May 81 p 12

[Cont] Last April the consumer price index for the Federal Capital and the Greater Buenos Aires area rose 7.9 percent from the previous month, while wholesale prices increased 12.2 percent and construction costs jumped 6.7 percent.

(1)
Indice de precios de abril de 1981

(2) Al consumidor (base 1974 = 100) nivel gral.	93.998,9
(3) Al por mayor (base 1980 = 100) nivel gral.	1.792.250,3
(4) Al por mayor (base 1980 = 100) agrop. ..	1.345.343,9
(5) Al por mayor (base 1980 = 100) no agrop.	1.971.373,8
(6) Al por mayor (base 1980 = 100) no agrop.	

(6) nacional 1.998.017,3

(7) Costo de la construcción (base 1980 = 100)
nivel general 102,1

(8) FUENTE: Instituto Nacional de Estadística y Censos (INDEC).

(9) VARIACIONES DE LOS INDICES DE PRECIOS (1)

(10) Período	(11) Precios al consumidor	Precios al por mayor	Costo de la construcción (13)
1980 Abril	6,2	3,9	4,2
Mayo	5,8	5,4	8,5
Junio	5,7	7,3	8,5
Julio	4,6	2,9	17,9
Agosto	3,4	2,9	9,4
Septiembre ..	4,5	2,9	9,0
Octubre	7,6	5,4	2,5
Noviembre ...	4,7	2,6	4,4
Diciembre	3,8	0,8	3,8
1981 Enero	4,9	2,5	3,6
Febrero	4,2	5,2	5,0
Marzo	6,0	4,6	5,1
Abril	7,9	12,2	6,7

(12) En por ciento respecto del mes anterior.

(14) Fuente: Instituto Nacional de Estadística y Censos.

Key:

1. April 1981 Price Index
2. Overall consumer prices (1974=100)
3. Overall wholesale prices (1960=100)
4. Wholesale farm prices (1960=100)
5. Wholesale nonfarm prices (1960=100)
6. Nationwide wholesale nonfarm prices (1960=100)
7. Overall construction costs (1980=100)
8. Source: National Statistics and Census Institute (INDEC)
9. Changes in Price Indices (percent increase from previous month)
10. Month
11. Consumer prices
12. Wholesale prices
13. Construction costs
14. Source: INDEC

With these new figures, furnished yesterday by INDEC, consumer prices, commonly called the cost of living, have risen 24.7 percent, while wholesale prices are up 26.7 percent. The indices from April 1980 to April 1981 are up 84.8 and 70.3 percent, respectively.

The cost of living index that excludes red meat and derivatives rose 8.4 percent in April (consumer prices) and 13.3 percent (wholesale); the increases over the last 12 months have been 88.3 and 79.9 percent, respectively.

Consumer Prices

The following were the increases for the various categories in the Overall Consumer Price Index: food and beverages, 6.7 percent (excluding red meat and derivatives, 7.7 percent); clothing, 18.7 percent; housing, fuel and electricity, 7.4 percent; household furnishings and operating costs, 9.5 percent; medical and health care, 7.6 percent; transportation and communication, 10 percent; recreation and education, 6.7 percent, and miscellaneous goods and services, 7.7 percent.

Wholesale Prices

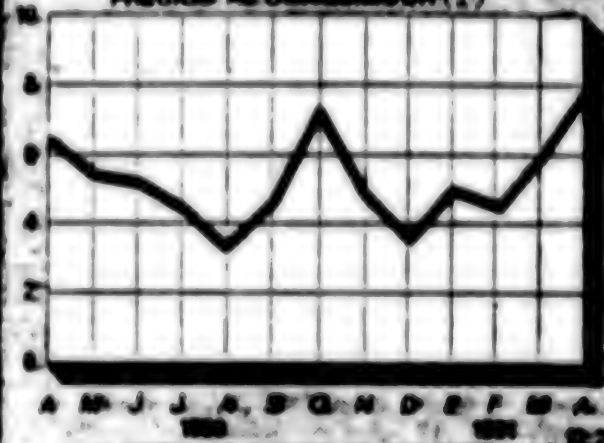
The increase in the Overall Wholesale Price Index (12.2 percent last April) resulted from an 11.6 percent rise in the cost of domestic goods and a 24.1 percent jump in the cost of imported items.

The rise in domestic goods prices resulted from an 11.4 percent increase in farm product prices (13 percent not counting livestock) and from an 11.7 percent jump in nonfarm prices (12.4 percent excluding meat prices).

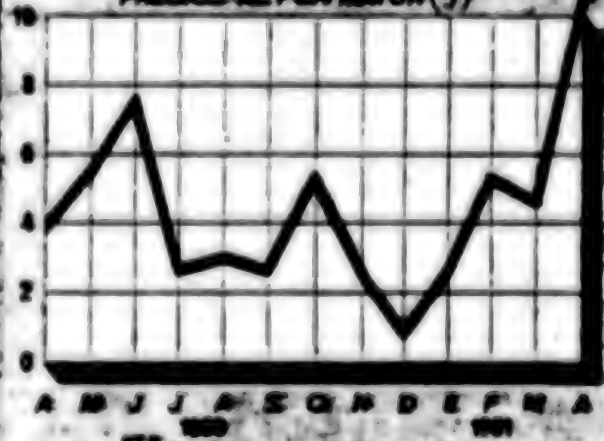
Under the heading of agriculture and livestock, the prices of plant products were up 14.5 percent; animal products were up 8.4 percent, and fish products rose 7.2 percent in price.

VARIACIONES (1)
DE LOS INDICES DE PRECIOS
(Porcentaje respecto del mes anterior)

PRECIOS AL CONSUMIDOR (2)



PRECIOS AL POR MAYOR (3)



COSTO DE LA CONSTRUCCION (4)



Key:

1. Price Indices (percent increase over previous month)
2. Consumer prices
3. Wholesale prices
4. Construction costs

With regard to nonfarm products, most of the categories recorded increases of more than 10 percent, except vehicles and machinery (excluding electrical machinery), which was up 8 percent; rocks, glass and ceramics, 7.2 percent; products from the extractive industries, 5.4 percent, and petroleum derivatives, 3.7 percent. The item that jumped the most was tobacco, 16.8 percent, followed by rubber, up 15.9 percent.

Imported goods posted price rises of between 19 and 32.6 percent, for example, paper and cardboard, up 32.6 percent; lumber, up 28.9 percent, and food and beverages, up 27.1 percent.

Construction Costs

With regard to higher construction costs in April in the Federal Capital (6.7 percent), the INDEC report notes that the price of materials rose 8.3 percent, mainly due to higher prices for blade steel (acero aletado), lighting conduits, rolling shutters, lumber for forms, synthetic paints and plaster.

Labor costs were up 4.2 percent, INDEC notes, according to the information obtained directly from selected construction firms.

Lastly, general expenses rose 3.6 percent, as a result of increases in electricity, power machinery and hookup costs and in project and management fees.

Biggest Increases

We should stress that the April increases in both consumer and wholesale prices are the biggest since August 1979, when consumer prices posted an 11.5 percent rise and wholesale prices jumped 14.7 percent.

8743

CSO: 3010/1340

EXTRADITION OF EMBEZZLER FROM U.S. TO BE REQUESTED

PY081339 Paris AFP in Spanish 0509 GMT 6 Jun 81

[Text] Santiago, 5 Jun (AFP)--It was reported here today that the Chilean courts will request, through diplomatic channels, the preventive detention of Jorge Masihy Duery in the United States in the next few days. Duery is responsible for fraud against the Chilean Government involving millions of Chilean pesos.

The fugitive from the Chilean courts fled to the United States a year ago just before the discovery of a \$7.7 million fraud against the government committed by persons connected with Union Trade Limited.

Police sources have said that Masihy Duery and Jorge Bendeck reportedly ran away with about 200 million Chilean pesos (\$5.1 million). It is not known where Bendeck is now.

The petition for preventing detention will be presented while the request for Masihy's extradition is being formally submitted to the U.S. Government in order to prevent his running away from that country.

Gustavo Chamorro, the prosecutor of the Supreme Court, the highest Chilean court, recently ruled that Masihy's extradition is in keeping with the law.

Judicial sources said that proceedings to bring Masihy back to Chile to stand trial will be started next week through diplomatic channels.

CSO: 3010/1425

BRIEFS

TWO ARGENTINE OFFICERS PARDONED--Buenos Aires, 10 Jun (NA)--According to the secretary of the editor of the Chilean daily EL MERCURIO Chilean President Augusto Pinochet this afternoon signed a pardon decree for Maj Pablo Barileau and 1st Lt Oscar Santos, officers of the Argentine Army who were arrested charged with espionage. The journalist, when telephoned by NOTICIAS ARGENTINAS from this capital, stated that the pardon was signed by Pinochet just before 1500 Chilean time (1600 Argentine time). He explained that the decree was first signed by the government junta, the interior and justice ministers and was then countersigned by President Pinochet. The journalist was not able to confirm whether the release of the officers would be channeled through the nunciature as had been done by the eight civilians who were pardoned last Monday. [Text] [PY101944 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1921 GMT 10 Jun 81]

UNEMPLOYED WORKERS SEEK REDRESS--Santiago, 5 Jun (AFP)--Some 12,000 Chilean state employees have been dismissed in recent months and another 8,000 will suffer the same fate during the remainder of this year, announced the civil servants union today. We will ask the government to freeze these dismissals, which mainly affect the Chilean middle class, said the president of the National Association of Public Employees (ANEP), Tucapel Jimenez. The dismissals are being considered in government plans intended to reduce the size of the public administration and instead to facilitate the operations of private businesses, in accordance with the liberal economic policy being implemented here. Unemployment in Santiago--the main urban center of Chile--is currently 8.7 percent according to official figures for May. [Text] [PY060316 Paris AFP in Spanish 1621 GMT 5 Jun 81]

CSO: 3010/1425

ACOSTA CALLS FOR INTENSIFICATION OF CDR WORK

FL102254 Havana Domestic Service in Spanish 2130 GMT 10 Jun 81

[Text] Armando Acosta Cordero, alternate member of the Politburo and national coordinator of the Committees for the Defense of the Revolution, CDR, has said that the forthcoming CDR Congress must be preceded by considerable achievements. Closing a meeting to evaluate the CDR work so far this year, Acosta noted that in general results are very positive and should be further improved with a view to the important meeting to take place 22-24 October. He added that the "waiting for the 28th [anniversary of Moncada attack on 26 July]" festivities should be celebrated with a lot of enthusiasm and joy with a view to the congress, which will close an important stage of CDR work.

Armando Acosta also noted that revolutionary vigilance and political-ideological work among the masses are among the most important goals so far attained. These have been successful in the fight against the enemy and against criminal activities. Acosta also highlighted the very positive work of Santiago de Cuba and Havana city provinces and alerted Guantanamo and Cienfuegos provinces in the sense that they should meet goals in certain areas in which they lag such as collection funds so that the congress can finance itself.

Lastly, Acosta again called for an intensification of the work preceding the highest-level CDR meeting, especially in support of the forthcoming people's government elections.

The national CDR secretariat and all provincial coordinators participated in the meeting. The latter reported on the work carried out to date.

CSO: 3010/1447

NATIONAL ELECTORAL COMMITTEE STARTS WORKING

FL101912 Havana Domestic Service in Spanish 1700 GMT 10 Jun 81

[Text] The National Electoral Committee which will be in charge of organizing and guiding the election of delegates to the people's government municipal assemblies was officially installed this morning. The committee is chaired by Jose Ramon Machado Ventura, member of the party Politburo, and it is made up of representatives of the political and mass organizations and some state organizations which have a direct relationship to the elections.

During its first meeting the National Electoral Committee approved the memberships of the electoral committees of the provinces and Isle of Youth special municipality and of the special committee of the Revolutionary Armed Forces. The latter will be entrusted with the guidance and control of the elections at the special electoral jurisdictions of the armed forces. The work program was also approved for the elections whose first round will take place on 11 October and second round on 18 October; and various work groups were created to take care of the distribution of material, communications and other tasks which will ensure the success of the electoral process. The National Electoral Committee also approved the credentials and identification documents which will be received by the delegates and deputies who are elected.

When summing up the results of the National Electoral Committee's opening meeting, its President Jose Ramon Machado Ventura referred to the importance of the electoral process for the strengthening of socialist democracy and for the consolidation of the institut onalization of the country. He then said:

[Begin recording] This is the first time that the 5-year term of the National Assembly comes to an end and it is the second time this happens in the local organizations. We believe that the process of nomination of candidates is important and one of the areas where we should work hardest so that this nomination process is wholly effective, and that quality work should be done with the factors that have a bearing on it, such as documentation, the way in which the process develops and the assistance of voters. We know the responsibility which falls on the committees for the defense of the revolution for this work. They should work in cooperation with the network of organizations, but they should start now, because we have time until August for the nomination process and that is important. [end recording]

At the end of his speech Jose Ramon Machado Ventura said:

[Begin recording] We do not have any doubts that we will be able to carry out this task which is now underway. We have experience. All the comrades who are now working here have experiences from previous elections. Apart from this, they have also participated for many years with different types of responsibility in elections at provincial or municipal levels and they therefore have experience. We are therefore certain that we will be able to carry out the task we have been given. [end recording]

CSO: 3010/1447

INTENSIFICATION OF GUATEMALA 'LIBERATION STRUGGLE' NOTED

PA070302 Havana International Service in Spanish 2310 GMT 6 Jun 81

["Our America" Commentary]

[Text] The liberation struggle being waged by the Guatemalan people has intensified in the past months, particularly the past few months of 1981. Since January the armed actions of the Guatemalan guerrilla groups have been much more frequent and of a greater magnitude and have spread to several departments, including locations close to the capital.

Up to April, the Guatemalan guerrilla forces had inflicted on the regime's troops more than 1,000 casualties, dead and wounded. That figure has grown considerably since then because the activity of the revolutionary fighters has been notable in May and the first few days of June.

Attacks on army convoys, placement of mines, ambushes of military patrols, sabotage at the regime's installations, occupation of towns and execution of torturers and assassins stand out among the many actions of the revolutionary vanguard of the Guatemalan people made up to the Poor Guerrilla Army [EGP], the rebel armed forces, the Armed Peoples Revolutionary Organization and the Guatemalan Labor Party. These groups are firmly marching on the path of necessary unity that will guarantee victory over the tyranny and imperialism.

The guerrilla operations in the petroleum zones of the departments of El Quiche and Alta Verapaz have been particularly intense. In those areas military chiefs have taken over big stretches of land and the transnational consortiums greedily exploit the hydrocarbons and other mineral resources.

The EGP has charged that those companies not only steal Guatemala's resources but also help the tyranny's army through financial aid and the supply of information. They also make available to the regime the use of helicopters and other vehicles that are used by the troops to repress the people and their organizations.

The dictatorship of Gen Romeo Lucas Garcia is particularly worried that the guerrilla war has spread to zones very near the capital, such as Chimaltenango and Sacatepequez departments, and to regions that are not suited, from a geographic viewpoint, to that type of struggle.

It is even more worried about the growing incorporation of the people into the guerrilla groups. This is shown not only by the fighters joining the guerrillas but also by the supplies, information on army movements and the protection that is given to the revolutionary fighters.

So far the Guatemalan tyranny has not scored a single victory over the guerrilla forces. In its official bulletins it uses the old tactic of listing as guerrilla casualties the peasants who are brutally massacred by the army and the paramilitary gangs. Those massacres confirm the impotence of a regime that resorts to genocide in a useless attempt to prevent the people's mass support for their revolutionary vanguard.

The tyranny of Gen Romeo Lucas Garcia is also repudiated by sectors of the population that do not participate in the armed struggle. To this internal isolation is added the condemnation of the international community that is horrified by the daily crimes committed in that Central American country against workers, peasants, students, opposition politicians, newsmen, lawyers, teachers and even priests.

Only U.S. imperialism has openly expressed a plan to strengthen its ties with the Guatemalan regime and to give it greater military aid. Nevertheless, this aid will be unable to halt the advance of the revolution in that indomitable Central American nation.

CSO: 3010/1446

BRIEFS

PEREZ HERRERO IN SANTIAGO--Antonio Perez Herrero, alternate member of the PCC Politburo and member of the Central Committee secretariat, has attended a meeting in Santiago de Cuba on improving work in the field of agitation and propaganda of the party rank and file organizations. During the meeting, the participants learned that despite the very brief period of time the practice had been in use, positive results have already been achieved in politico-ideological work as well as closer relationship with the masses. Perez Herrero valued highly activism efforts and in that sense indicated there is now a greater concern for politico-ideological work and propaganda in general. [Text] [Havana Domestic Service in Spanish 1100 GMT 9 Jun 81 FL]

CDR COORDINATORS MEETING--A national meeting of coordinators of the Committees for the Defense of the Revolution [CDR] from all the provinces began this morning in Havana. Armando Acosta Cordero, alternate member of the Politburo and national coordinator of the CDR, and Maria Teresa Malmierca, vice coordinator of the CDR, are chairing the meeting. Revolutionary vigilance, the work program for the first half of the year, the organization's self-financing and contributions for the second congress [to be held 22-24 October] are being discussed at the meeting. [Havana Domestic Service in Spanish 1821 GMT 9 Jun 81 FL]

26 JULY CELEBRATIONS--Antonio Perez Herrero, alternate member of the Politburo and secretariat, has chaired the second meeting in Las Tunas to evaluate the preparations for the 28th anniversary celebration of the Moncada attack on 26 July. Las Tunas is to host the main celebration. Luis Alfonso Zayas, member of the Central Committee and first party secretary in the province, reported on the work carried out by the various committees organizing the activity, including the remodeling of the Tunas theater, where the official ceremony will be held on the evening of the 25th. It was reported that 80,000 persons from all over the province will attend the celebration. [Havana Domestic Service in Spanish 2300 GMT 9 Jun 81 FL]

GAS DISTRIBUTION--A new gas distribution scheme will go into effect on 1 July based on the metric system. For this reason, the Havana City provincial service centers has installed 186 new pumps to date. The new equipment was manufactured in the GDR. New prices are: 6 cents for a liter of gas oil, 16 cents for a liter of regular gas and 18 cents for special gas. Prices for lubricants remain the same. [Havana Domestic Television Service in Spanish 0000 GMT 11 Jun 81 FL]

POLICE-CDR VIGILANCE--Brig Gen Pascual Martinez Gil, the Ministry of Interior vice minister for internal order, has said that vigilance by the Committees for Defense of the Revolution (CDR) in Havana is quite satisfactory and encouraging. He made the statement to reporters after spending more than 4 hours on a tour of municipalities accompanied by Armando Acosta Cordero, alternate member of the party Politburo and top leader of the CDR. The senior police official added that his inspection tour is part of a joint plan of the CDR and National Revolutionary Police (PNR) to improve revolutionary vigilance in every respect. He added that inspection tours will be conducted monthly with the participation of national and provincial CDR leaders and PNR officers. Martinez Gil told reporters that police patrols will be increased effective today in the 15 municipalities of Havana City Province and that police patrols will maintain closer contact with the CDR members who are assigned guard duty at the block level to ensure success of the fight against antisocial elements. [Havana Domestic Service in Spanish 1532 GMT 11 Jun 81 FL]

GREETING TO GERMAN YOUTH--Warm, revolutionary and fraternal greetings from Cuban youth to the Free German Youth has been expressed in Berlin at the 11th Congress of Free German Youth of the GDR by the chief of the Cuban delegation, Manuel Estevez, president of the Jose Marti Organization of Pioneers and secretary of the National Committee of the Union of Young Communists. Estevez spoke during Wednesday's session of the congress. He asserted that the congress is a source of great experiences. Erich Honecker, general secretary of the Socialist Unity Party of Germany, inaugurated the congress on Monday. [FL050058 Havana Domestic Service in Spanish 1000 GMT 4 Jun 81]

CEMA FOOD COMMITTEE--The Cuban delegation to the standing CEMA Committee for the Food Industry has been named at a meeting in Havana chaired by Alejandro Roca, minister of the food industry. Roca heads the delegation, Luis Perdomo Hernandez is his deputy and Lazaro Navarro (Cardoso) is secretary. The delegation also includes representatives from the ministries of food, sugar, fishing and steelworking industries, the permanent secretariat for CEMA affairs, the central planning board, the state committee for economic cooperation and the packing and crating center. [FL050058 Havana Domestic Service in Spanish 1802 GMT 4 Jun 81]

NURSES' AIDS HONORED--PCC Politburo members Jose Ramon Machado Ventura and Sergio del Valle have presided at a ceremony commemorating the 20th anniversary of the first graduation of nurses' aids in Havana City. Some 268 graduates of that class from all 14 provinces and the special municipality of Isle of Youth who have attained accreditation as nurses, physicians and other specialties in the branch of medicine were honored during the ceremony. A group of instructors and nurses' aids also of that class were awarded certificates and lapel buttons for their outstanding work during all these years. [Text] [FL061617 Havana Domestic Service in Spanish 1100 GMT 6 Jun 81]

MUNICIPAL ELECTIONS IN OCTOBER--The Cuban Council of States, in a resolution signed by its president, Commander in Chief Fidel Castro, has convoked elections for delegates to the People's Government municipal assemblies on 11 and 18 October of this year. The text of the Council of State's resolution says that the term of office of 2 1/2 years for which the delegates were elected to the municipal assemblies is about to end, which is why the convocation for elections is being made. The resolution notes that on 11 October, Sunday, the delegates to municipal assemblies for a period of 2 1/2 years will be elected. The second round of elections on 18 October, Sunday, is convoked for voters of districts in which none of the candidates to delegate obtain more than half of all the ballots cast. [Text] [FL061301 Havana Domestic Service in Spanish 1045 GMT 6 Jun 81]

MALMIERCA RECEIVES BURUNDI ENVOY--Cuban Foreign Minister Isidoro Malmierca has received in Havana Artemon Simbananiye, Burundi's permanent representative to the United Nations who also is accredited to Cuba. During the meeting, our foreign minister and the African diplomat discussed aspects of the protocol signed yesterday as a result of the first intergovernmental meeting for cooperation between the governments of Cuba and Burundi. It has been reported that the protocol, effective this year, covers bilateral cooperation in the areas of health, education, agriculture, livestock and sugar industry. It also establishes medical and technical assistance, and training and development of specialists in those areas. [Text] [FL031030 Havana Domestic Service in Spanish 1000 GMT 3 Jun 81]

CASTRO CONGRATULATES MALMIERCA'S PLAN CREWS--Commander in chief Fidel Castro has sent a message of congratulations to the crews and technicians of the IL-18 and IL-62 planes of Cubana de Aviacion in which Cuban Foreign Minister Isidoro Malmierca traveled during his goodwill efforts to seek a solution to the Iran-Iraq conflict. The message notes that the selfless and careful work of the 25 workers under the highly dangerous conditions of the region was a highly important factor in ensuring the efficiency and swiftness of the delicate efforts made by Cuba. Lastly, the message reiterates that their work was invaluable to this mediation effort with two countries of the nonaligned countries movement. Fidel's message was read by Cubana de Aviacion director Orlando Interian at a simple ceremony held yesterday at the Gen Antonion Maceo Mausoleum in El Cacahual [Havana]. [Text] [FL041016 Havana Domestic Service in Spanish 1000 GMT 4 Jun 81]

SOLIDARITY MESSAGE TO ALGERIA--Carlos Rafael Rodriguez, vice president of the Council of Ministers of Cuba, has sent to the Algerian Government a message of solidarity and friendship on the occasion of the tragic accident of the airliner carrying Algerian Foreign Minister Mohamed Ben Yehia, who was seriously injured. A note of the Algerian Foreign Ministry states that international personalities and foreign ministers have sent numerous messages in that sense. The list of those who have expressed their feelings to the Algerian Government includes UN Secretary General Kurt Waldheim as well as writers, journalists and representatives of various international organizations. It was announced in Algiers that a commission headed by Transportation Minister Saleh Goudjil has already met to undertake the investigations of the accident. [Text] [FL042101 Havana Domestic Service in Spanish 2002 GMT 4 Jun 81]

DIPLOMATS BRIEFED ON PARLIAMENTARY MEETING--Raul Roa, acting president of the National Assembly, met today at the Palace of Conventions with the diplomatic corps accredited to Cuba to tell them about the 68th Interparliamentary Conference. This conference, scheduled for 13-23 [as heard] September, in Havana will deal with disarmament and peace, the world energy crisis, violations of the UN resolutions by Israel and the struggle to put an end to colonialism. Jose Aranaburo, secretary of the National Assembly, spoke on the organization of the conference, one of the organs of the interparliamentary union which meets once a year. He said that the union presently has 94 members and it is expected that other nations will apply for membership; therefore, delegates from some 100 parliaments will attend the Havana meeting. [Text] [FL102155 Havana Domestic Service in Spanish 2130 GMT 10 Jun 81]

U.S. OCCUPATION OF VIRGIN ISLANDS--Cuba has charged that the continued U.S. occupation of military installations in the Virgin Islands is an obstacle to the effective decolonization of that territory. Speaking at the subcommittee for small territories of the UN Special Decolonization Committee, Cuban delegate Miguel Alvarez expressed concern over the right which Washington assumes by maintaining such territories administered by the United States. He stressed that at this time the new U.S. Administration is trying to convert the Caribbean--which in the past it had considered as its own lake--into a permanent place of confrontation against the desires for economic and social progress of the peoples of the area. During debate on small territories which still are under the committee's study because they have not been included in a decolonization process, Alvarez also questioned the practices of the administering power. [Text] [FL031204 Havana Domestic Service in Spanish 1100 GMT 3 Jun 81]

PORTILLO'S VISIT TO U.S.--Mexican President Jose Lopez Portillo returned to his country after an official 48-hour visit to Washington, where he met with U.S. Chief of State Ronald Reagan and Alexander Haig, head of U.S. diplomacy. According to reports by Mexican press correspondents, Lopez Portillo stressed in his talks with the U.S. President that solutions to the problems of development in Central America must be in the framework of the principles regulating the San Jose Agreement on energy cooperation signed by Mexico and Venezuela which unconditionally supplies petroleum at favorable prices. The Mexican president said that the long-range program of which the United States speaks must be capable of satisfying the hopes of the peoples of the area, without detrimental effects or previous conditions and without imposing any predetermined economic, political or social system. The sources add that Reagan, in turn, acknowledged that Mexico's role is fundamental for the development of Latin America, stressing that as the Mexican Government consolidates progress in its country, political stability in the area will benefit. Both chiefs of state agreed on creating a commission to analyze the bilateral problems that may arise in the future which would replace the ineffective mechanism for consultations set up during the previous U.S. Administration. [Text] [PA100243 Havana International Service in Spanish 0000 GMT 10 Jun 81]

CSO: 3010/1446

SAVING FATHERLAND IS MAIN GOAL., SAYS ARIAS

PA092027 Panama City Circuito RPC Television in Spanish 1715 GMT 9 Jun 81

[Excerpts] We will save the fatherland with God's help, Dr Arnulfo Arias Madrid said this morning while confirming a suit for slander and abuse against Luis Gaspar Suarez and Alonso Pinzon.

Dr Arias added that it is possible that he might lead the effort to register a new political organization. According to him, he can accomplish this in a matter of hours.

News director Justo Fidel Palacios reports on Dr Arias' appearance in the fifth circuit prosecutor's office this morning:

[Begin recording] Dr Arnulfo Arias Madrid showed up this morning at 1105 at the fifth circuit prosecutor's office to confirm his suit for slander and abuse against Luis Gaspar Suarez and Adolfo Bucho Pinzon, which he has filed through lawyers Guillermo Endara and Jose Munoz.

At about 0930 this morning, a group of Dr Arias' followers gathered near the prosecutor's office in Perejil to wait for the Panamenist leader. Several of his followers carried scarves and a huge flag with the Panamenist colors. At approximately 1105, Dr Arias arrived and was immediately surrounded by his followers, who blocked the path of his vehicle. Smiling, and saluting his partisans, the veteran leader climbed the steps to the prosecutor's office, which is on the building's third floor. Newsmen from several media were on hand to cover the event.

Once inside, Dr Arias greeted secretary Yolanda de Hernandez and prosecutor Cecilia Lopez, who immediately read the pertinent part of the declaration.

Dr Arias read the declaration of ratification and proceeded to sign it. He immediately told the prosecutor the following: [shouts of "We Shall Return!" in the background]

[Arias] (?Please excuse us) for all the trouble we have given you. I hope you will [words indistinct] impart justice in this case not on my behalf, but on behalf of the fatherland.

[Palacios] Dr Arias, any comment on the Panamenist Party's current political situation.

[Answer] The Panamenist Party is not facing any problem, the republic is.

[Palacios] What solution would you propose?

[Answer] The one you are currently seeing out in the street as regards money, the economy, the hunger that exists.

[Unidentified newsman] Would you be willing to run for the presidency, Doctor?

[Answer] I am not thinking about the presidency; I am thinking about saving the fatherland.

[Palacios] Dr Arias, on other occasions you have registered a new political party after yours had been intervened. Is there such a possibility this time?

[Answer] That and many others.

Thus Dr Arias broke his silence of several months and his constant rejection of the newsmen's questions.

Once outside the building he made other statements for the newsmen. [shouts of "We Shall Return" in the background]

[Unidentified newsman] What is the purpose of this suit [word indistinct]?

[Answer] The objective is to save the fatherland from scoundrels.

[Unidentified newsman] Any message to the Panamanian people?

[Answer] That I love them very much and that I will save all Panamanians.

[Shouts of "Viva!"]

[Unidentified newsman] How long would it take you to register a party?

[Answer] A matter of hours.

Dr Arias Madrid then addressed the group of Panamenists who had gathered outside, practically blocking traffic along one of the nearby streets.

[Indistinct shouts from the crowd]

[Arias] Go home in peace and have total faith that God will save us from all the scoundrels in this country.

Arias then got into the vehicle that had driven him to the place and left amid the vivas and slogans shouted by his followers. Dr Arias' statements suggest that he is planning to end his isolation from active politics and to launch a new proselytizing campaign. [end recording]

SITUATION OF FIVE ON TRIAL IN COLOMBIA DISCUSSED

PA082025 Panama City Domestic Service in Spanish 1700 GMT 8 Jun 81

[Excerpts] Panama is undertaking careful negotiations to insure that, regardless of the outcome of the trial of five Panamanians by the Colombian judicial branch, they will be transferred to Panama, said Panamanian foreign minister in explaining the negotiations on behalf of the five Panamanians. Jorge Illueca was speaking to a group of students from the Melchor Lasso De La Vega Arts and Crafts School who met with him at the Foreign Ministry this morning.

Our reporter interviewed Henry Estribi, secretary general of the Federated Association of the Arts and Crafts Schools, and Ruben Dario Quintana, leader of the Jose Manuel Arauz Arts Front.

[Begin recording] [Estribi] The principal reason for our visit to the Foreign Ministry is our concern for the five compatriots who are in Colombia. We know that they are enduring inhuman conditions and we want them to return home. We want to know what the Foreign Ministry has done, what the government's position is, what measures the government will adopt and how they will return home.

[Quintana] We want the government to demonstrate its capacity to act on this problem. We have waited patiently for its action on this matter; for it to take a clear stand, but we find that the government has done nothing.

[Illueca] Crimes committed in Panama must be tried by Panamanian courts, not by foreign courts. In the same fashion, any crime committed by Panamanians abroad must be tried in the country in question. This does not mean that a state accepts the facts as presented, but it has to verify that those facts did in fact occur in a certain manner and must basically protect the lives of its citizens and their properties and insure that their basic human rights are protected.

In the case of our five compatriots who were involved in this situation concerning the whole Colombian guerrilla movement and the M-19 [19 April Movement], Panama immediately undertook to determine what had occurred. Instructions were

given to our ambassador in Colombia to determine the situation of our compatriots. In this respect there have been many statements of [word indistinct] the participation of Ecuador, the participation of Colombia, the possible participation of Panama and the case also extends to the participation of Cuba and the participation of other Central American countries. You will understand that this is a very sensitive matter.

In this situation, at a level which we could consider more visible, there is a government, which is the Colombian Government.... The actions of the guerrilla movement, on which I will not now delve on whether the movement is just or unjust, just to make an objective examination of the matter. I am going to invite you to examine our actions and see the situation, including the course of action, the actions of the Panamanian Government and the persons affected. [end recording]

CSO: 3010/1422

OFFICIAL REACTS TO 'LA PRENSA' REPORT ON LOAN FROM FRG

PA100251 Panama City MATUTINO in Spanish 6 Jun 81 pp 1-A, 4-B

[Text] With regard to a report published by the daily LA PRENSA, which quotes the London FINANCIAL TIMES regarding the statement of a high-ranking official of the FRG Ministry of Foreign Affairs to the effect that Panama requested aid to promote development and to stop the advance of communism in Latin America and the Caribbean, Boris Moreno, general director of information and publicity of the state, sent a letter to Mr Carlos Ernesto Gonzalez de La Lastra, the director of the daily, which we publishd herewith:

Dr Carlos de La Lastra
Director of the daily LA PRENSA

Mr Director:

Because I consider that the nation's public deserves respect and an explanation and, on the basis of the right to reply (Article 11 of Law 11 dated 10 February 1978) I request that you publish the present note with the same prominence as your daily recently published a report in which certain facts were twisted.

In its 4 June issue, the daily LA PRENSA, which you direct, published on the front page a report under the banner headline /"Royo Asks for More Than 1 Billion To Stop Communism."/ [slantlines denote uppercase as published] It states that "as reported in the London FINANCIAL TIMES yesterday, Panama asked the FRG for help to raise more than \$1 billion to promote development and to stop the advance of communism in Latin America and the Caribbean, it was stated by a high-ranking official of the Bonn Ministry of Foreign Affairs." The report holds Minister of State Hildegard Hamm-Brucher responsible for the report and states that "the proposal was made in the form of a message to the foreign minister delivered to Hamm-Brucher during a dialogue she held with Panamanian authorities on 22 May, said the official during a news conference. [quotation marks as published]

Also on that same page in that same issue, the daily LA PRENSA states in its editorial column entitled "As of Today":

"A distinguished member of the German cabinet has made statements that are extremely compromising for the Panamanian Government. Minister Hamm-Brucher has said that President Royo asked the German chancellor for aid to 'raise a fund ranging from \$1.6 to \$1.7 billion' to 'stop the advance of communism and violence in the area.' Duplicity and irresponsibility are once again shown by trying to obtain such a large loan when the 'process,' in whose name we suppose he was speaking, has contracted very large debts that are overwhelming the Panamanian people and are a mortgaging of the country's heritage. This is a horrible inheritance for the present and future generations and the leaders are apparently determined to make this even more burdensome with this incredible request which they just made from the FRG government. All of this again raises the question as to whether a regime with such a political conduct can continue to lead our destiny by making decisions that will negatively affect many decades."

Lastly, an attributed column published on page 8A of today's edition, 5 June, again takes up the issue and once again confuses the terms.

The malicious twisting of what allegedly was said by your source is a tendentious, gross and ignorant maneuver to launch an irresponsible attack on the president.

During a conversation held by President Royo and Dr Hildegard Hamm-Brucher, minister of state for foreign affairs of the FRG, they talked about bilateral topics of common interest to both countries and some international matters in which the distinguished German official showed interest.

Because of the reservation with which the issue has been treated in line with the viewpoints of some of the governments involved, it was not released to the public that the president of Panama informed the FRG Government through the above-mentioned channels that it is soliciting support to promote a large-scale program of support for the development of what has been called "the greater Caribbean," which includes the nations of Central America and the insular Caribbean states.

Work is being carried out on plans for holding a meeting of heads of state of these countries, with the support and cooperation of Mexico and Venezuela, to launch a joint move before the international financial community.

There is no intention of forming a political or military bloc. The project is aimed at concentrating efforts to identify the common economic problems that also could be resolved through mutual cooperation and the aid of industrialized countries or countries with greater economic capacity in order to ensure peace in the area by overcoming the stages which today are holding back the process of our country's development.

A permanent dialogue has been proposed and a frank effort to identify positive factors of convergence, independent of all political shades, and the need to interest states, outside the continent, particularly the EEC. Of course, the participation in this effort by the hemisphere's countries with greater economic capacity is also foreseen.

The issues have been examined by the president of Panama, among others, in conversations held with the heads of state of the nations involved. The matter was brought up during the recent visit to Mexico, in the form of information, for which it was deemed unwise to include it in the joint communique so as not to jeopardize the efforts being made jointly with other heads of state and the officials of international organizations.

It is totally untrue that this effort is aimed at obtaining a loan for our country. This attitude not only is punishable but is a censurable attempt to misinform national public opinion, which should deserve more respect from those who pretend to orient it.

The community will appreciate the national government's position of maintaining adequate reservations regarding a matter in which other friendly governments have equal interest.

The information relayed to the FRG Government through proper channels contains no damaging or harmful aspects for the national dignity or for the people's legitimate interests.

Twisted interpretations of the facts constitutes irrefutable proof of the moral standing of those who abuse the freedom of speech guaranteed by the government to satisfy their ignoble appetites for vengeance at the cost of the nation's prestige and to deceive their fellow citizens.

To conclude, I wish to clarify that the use of certain vernacular terms, commonly used by Panamanians was merely another example of the simple and familiar way with which we always treat reporters who honestly and professionally come to our office to collect information.

We consider that the manner in which the daily LA PRENSA's director presented these terms shows that there was a bad intention, a lack of maturity and irresponsibility in handling the report.

I wish to tell you, Mr Director, that if a reporter whom we consider a friend again asks me during an informal conversation, as was the case on that occasion, regarding the president's alleged enormous request to the chancellor of the FRG, I would again reply that "it is nutty" which you and everyone knows means that it is absurd.

But a professional making a formal and responsible interview would get the reply that the FINANCIAL TIMES report was at least "frankly inexact," if not "an irresponsible distortion of a fact that has not been proved."

Furthermore, during the informal talk with your correspondent, we only talked about the alleged report published in the British daily and at no moment did we consider the benefits or difficulties of the economic plan for Central America and the Caribbean.

Through you we wish to thank Dr Ricardo Arias Calderon for the praise-filled concepts contained in today's column about President Royo's well-conducted foreign policy when he says: "By acting this way, he acted correctly." Regarding the misunderstanding Dr Arias Calderon mentions in the last paragraph of that same column, we believe the matter is completely cleared with this note.

Boris Moreno
Director of Information
Presidency of the Republic
Panama, 5 June 1981.

CSO: 3010/1422

APPOINTMENT OF COMMISSION INFORMATION OFFICER URGED

PA101618 Panama City MATUTINO in Spanish 8 Jun 81 p 4A

[Luis Restrepo Column "Interesting Topics"]

[Text]. 1. Days and weeks have gone by, and no one has been appointed to the post of information director of the Panama Canal Commission, the post which should be occupied by a Panamanian newsman. Our colleague, Luis Noli, was forced to resign because of sinister maneuvers by "Zonian" groups, with the complicity of the director of the Panama Canal Commission.

Members of the "Metal Trades Council" the "Zonian" /Klu Klux Klan/ [words between slantlines published in uppercase] managed to harass the Panamanian official, eliminating most of his professional duties, so that he was left as merely a lower official subordinate to the klan's racists, who have vowed to follow this line of provocations against Panamanians. If no candidates are nominated they will attain their goal which is to have the post eliminated.

2. The director [as published] of the Panama Canal Commission and the commander of the [U.S.] armed forces in Panama have become willful accomplices of employees in both organizations, who, after legal proceedings in Panamanian courts, have been sentenced to pay support for sons and daughters they have abandoned, arrears in rent due to the Housing Ministry, power and water bills, and outstanding debts with local merchants.

The canal treaty granted immunity to the canal commission, which, violating the treaty and as another provocation against Panama has transferred this immunity to its employees. According to the director of the canal commission, none of those employees have to obey legal mandates of the Republic of Panama.

3. The board of directors of the Panama Canal Commission has not met during the last 6 months, and Panamanian authorities have done nothing about it. President Reagan delayed the appointment of an official, who, according to Law 96-70, and according to Washington's interpretation, should be the president of the board of directors of the commission. The official has not been appointed, therefore the board of directors cannot meet. This is part

of the U.S. strategy to disavow the positive effects of the canal treaty, and then to brazenly violate the treaty, knowing, that, as in the past, there is very little that the Panamanian president can do or say.

Meanwhile, important projects related to the operation, maintenance and administration of the canal are paralyzed. These projects are of great importance to the transit of ships through the canal. If these measures are not approved, and the funds for implementing them are not allotted, the result might be difficult situations and bottlenecks at the canal.

As can clearly be seen, the Panamanian Government has said nothing about all this, and if it has, it has done so in a very subdued voice so as not to alarm the neighborhood. Wages, and the tax factor are frozen.

4. We were hoping that the Panamanian delegate who attended the recent ILO meeting in Geneva would denounce the labor violations of the Panama Canal Treaty. However, when his turn came, he spoke of everything except the problems that Panamanian workers are facing in the canal area, unless he also spoke in a hushed tone, whispering in the ears of the delegates so as not to alarm the neighborhood.

5. The "Zonians" have maneuvered to circumvent certain treaty articles regarding "security" positions, which could only be held by U.S. citizens. Now they are called "sensitive positions" and everything remains the same.

CSO: 3010/1422

BUSINESS COUNCIL PROTESTS TO ILO OVER NEW LAW

PA090323 Panama City Circuito RPC Television in Spanish 0128 GMT 9 Jun 81

[Text] The National Council of Private Enterprise (CONEP) has asked Walter Durling, Panama's business representative at the 67th session of the ILO now meeting in Geneva, Switzerland, to formally protest to the conference, the violation of principles included in conventions and recommendations approved by the ILO and ratified by the Panamanian Government, said a CONEP communique released today. The communique says:

CONEP, in a plenary session today, has asked that a formal protest be presented at the ILO over the violation of principles included in international agreements approved by the ILO and ratified by the Panamanian Government. The violation consists of the approval, in the second debate of the National Legislation Council, of Bill No 80 presented by Panama's labor minister. The bill violates several rights and creates new sources of employee-employer conflicts. This state intervention violates the principles of international agreements approved by the ILO and ratified by the Panamanian Government. The violations include Article 4 of Agreement 98 and Part 6 of Section 7 of Recommendation 91.

The communique released by CONEP is signed by its chairman, Hector Ortega. Sources close to CONEP say that the organization is in permanent session and will continue informing the people of the latest developments.

CSO: 3010/1422

NOTABLE IMPROVEMENTS SEEN IN NEW UNIVERSITY LAW

PA101916 Panama City LA REPUBLICA in Spanish 7 Jun 81 pp 1A, 2B

[Text] The National Legislative Council's definitive approval of the new organizational law of the University of Panama introduces important changes in the organization and functioning of the university. The most prominent change is that the rector and the main authorities will be elected by the professors and students and must be chosen from among members of the university faculty. The rector will be chosen by the new university general council, in which professors and students will have an equal number of representatives and which will also include a smaller number of representatives of the administrative personnel.

The university's main instruments of government will be the general council, the academic council and the administrative council. There will be parity in these three associative organizations, which gives the student movement a large degree of participation in the regulatory and administrative decisions of the university management. Student sectors have long demanded this.

For their part, faculty boards will also have a broad representation of teachers and students. The new law provides that they will include one student for every two professors on each board. The same will apply to boards at university regional centers. These boards will choose the respective faculty deans and regional center directors by direct elections.

Notable Differences

The foregoing constitutes a considerable change from all previous university legislation. Formerly, there were no student or administrative personnel representatives within higher organizations and the students had a very minor representation on the faculty boards. In the past, these associative governing bodies did not even exist at the regional centers.

Regarding the election of university authorities, the rector was formerly elected by a six-member directive council. Similarly, deans were appointed by the rector from slates proposed by the faculties. The directors of regional centers were appointed directly by the rector without need for proposals from persons assigned to those centers.

The new law eliminates the former directive council, which was the top university authority and in which persons chosen by the national government predominated. The top authority now will be the university general council which, in addition to electing a rector, will dictate the university statutes and establish the policies for the development of the institution, in addition to other main functions.

Truly National

The university organizational law approved by the legislative council broadly supports the policy of converting the university into a nationwide system of higher education. It will act throughout the country instead of concentrating primarily on the capital. This is due to the fact that the new law grants greater autonomy to the regional centers and university extensions, helping them to be strengthened and developed.

To date, university extensions in the provinces have been cinderella institutions. With this new approach, many thousands of youths from the interior will have access to higher education without having to emigrate to the capital.

Private Universities

The approved law reflects the constitutional precept that the official university of the republic will supervise private universities. However, this principle has been developed in such a way that the private universities have adequate representation within the technical commission that will be charged with this function. As we have noted, representatives of the Santa Maria University have expressed satisfaction with the manner in which this was resolved by the legislators.

Some Concerns

Some teaching sectors have expressed concern because they believe that there is excessive participation by the students in university government organizations. However, whether or not this concern is justified will depend on the universities themselves. If the new law is accepted and applied responsibly, this representation will be beneficial and will help to bring the University of Panama up to date.

Compared with other Iberian-American universities, the new university organizational law is probably the most democratic, representative and progressive. We hope our professors and students will act in consonance with this prize.

CSO: 3010/1422

STUDENT GROUP URGES UNITY AROUND BILL ON UNIVERSITY

PA040109 Panama City CRITICA in Spanish 3 Jun 81 p 3

[Communique issued by the University Anti-Imperialist Front]

[Text] Since its foundation in 1975, the University Anti-Imperialist Front (FAU) has always raised as a banner the struggle for the repeal of Decree 144, and it has actively participated in the movements that have been carried out to achieve this demand that is supported by all the university sectors. We do not plan to give a detailed account of all that has been done since mid-October 1980 when the university students coordination board emerged in the university scene as a catalyst of the problem and which led to the drafting of the bill presented by the provisional university council and the subsequent struggle in the national legislation council to approve a democratic and flexible law. However, today when a victory has been achieved, since the unity document that was presented to the national legislation council has once again been sent to a first debate of all its 47 articles, we must clarify what all of this has cost.

The community must know that the university student movement has been able to set aside group interests in favor of unity to obtain a law that will work for the university of today and of the future. The unity not only among the students but also with the university workers and the professors has not been easy. On many occasions, unity almost disappeared but today we can see how valuable it is by looking at the results.

In view of this, our organization issues a call to the members of the center of law students so they will not be led by those who, drunk with a desire for power and who fancy themselves as leaders, are trying to use the students to achieve their servile plans. Blinded by vanity and personal hatred and looking out for their own interests, they spare no effort to destroy the unity of the university family. They show their professorial mediocrity in their political actions by trying to lead false movements for demands that are the result of hackneyed analysis. Along with old pseudoleaders (who have been in the university for more than 8 years), they do not care if they are bringing disquiet to the university and they maintain intransigent positions in the face of all sectors, trying to impose their interests at all costs.

We have ended one phase of the struggle but the struggle will continue until the last article of the new university law is approved. Today more than ever the situation calls for unity.

Long live the unity of the university family.

Out with the opportunists disguised as "advisers."

We have advanced, the struggle continues.

FAU.

CSO: 3010/1422

STUDENTS, WORKERS HOLD MEETING IN SANTA ANA SQUARE

PA121231 Panama City Televisora Nacional in Spanish 2315 GMT 11 Jun 81

[Text] Thousands of students marched this afternoon from the university hill to Santa Ana Square to protest against the approval of Law 76 which constitutes the new bylaws of the University of Panama. The students, who were joined by other groups along Central Avenue, were shouting slogans against Law 76 and demanding another law more in agreement with their aspirations. The students distributed flysheets along the way in which they explained the reasons for their attitude, indicating that during the past 4 weeks the university organizations have been waging a significant struggle aimed at establishing a real democracy in the higher levels of education in our country. The students allege that in their struggle they have managed to organize for the first time in the past 9 years a coordinated front with the participation of professors, students and the administrative personnel, which also represents a significant step forward in the political struggle for justice for the various sectors of our university.

When the students arrived at 5th of May Square, they ran into the construction workers who were demonstrating in front of the Justo Arosemena Legislative Palace to demand from the Legislative Council the approval of the wage increase bill. The two groups then joined and marched to Santa Ana Square where at this moment they are holding a meeting with a large crowd [applause and shouts in background]. Both groups in turn expressed their slogans and objectives in a workers-students alliance.

The crowd was so large that all streets were blocked to traffic. During the march there was a total absence of public forces. However, it is possible that security agents were discreetly following the march in case of disturbances. The aspirations of the students and workers is summarized in the final paragraph of the flysheet distributed among the people which says that the struggle must support with all enthusiasm the people's needs such as a general wage increase which will truly solve those needs, the freezing of prices and all those issues affecting the majority of the population.

The students from the Abel Bravo High School in Colon went to the streets at noon today and seized the public market where they held a meeting asking the reduction of prices and making other demands similar to the ones made this afternoon by students and workers in Panama City.

WORKERS MARCH TO LEGISLATIVE COUNCIL, BLOCK AVENUE

PA112008 Panama City Circuito RPC Television in Spanish 1715 GMT 11 Jun 81

[Text] Construction workers this morning went to the Legislative Council to demand the approval of Bill 80 which is on its second debate. Bill 80 deals with salary increases.

Workers belonging to the two most important construction labor unions this morning marched through Via Espana toward the Legislative Council. A few minutes after arriving at the 5th of May Square, the workers appointed a commission to meet with Luis de Leon Arias, president of the National Legislative Council.

The members of the commission spoke with one of the officers of the National Guard who have been guarding the building for the past few days. He allowed them to go in to meet with De Leon Arias. The workers asked that all the workers be allowed to hear the sessions of the council. De Leon and Carlos Calzadilla, secretary general of the National Legislative Council, said that they would allow only the workers' leaders to enter in order to maintain conditions favorable to the debates.

Meanwhile, another group of workers blocked the Los Martires Avenue obstructing traffic. At approximately 1100, De Leon Arias and the members of the Labor Commission of the council met with labor leaders of the Single National Union of Construction and Related Workers [SUNTRACS] and of the banana companies.

Eduardo Rios, secretary general of SUNTRACS, asked the legislative council to meet as soon as possible and to approve Bill 80 just as it passed the first debate. De Leon Arias said that in his opinion the council was acting responsibly and that if it has not met, it is because it has been waiting for more propitious conditions that would guarantee peace in the country and the security of the legislators themselves.

The council has not met during the past 3 days. We have not been able to confirm if the sessions will be renewed this afternoon in the legislative palace. At this moment, the workers are still blocking Los Martires Avenue and the 5th of May Square.

It was announced late last night that the National Council of Private Enterprises, CONEP, does not think that a meeting proposed by Luis de Leon Arias is suitable. CONEP says that De Leon Arias has justified the calling for the meeting arguing that there is the possibility of a break among productive sectors and that this could have serious consequences in the republic and affect the interests of companies, workers and the people in general.

CONEP says that the main reason for conflict is the early and surprising approval of Bill 80 presented by the executive. CONEP says that if the bill is approved on a second debate without correcting errors and eliminating negative factors that have been pointed out to Labor Ministry officials and to members of the legislative council, this would establish a precedent. CONEP notes that if this happens, rights secured in collective agreements between workers and employers could be violated.

CONEP, in a note signed by its president, Hector Ortega, asks the legislators to assume a responsible attitude in line with their obligations with the fatherland.

Meanwhile, Luis de Leon Arias issued statement this morning referring to the absence of CONEP from a meeting he had called for. He stated: [begin recording] I have convoked a news conference to tell the Panamanian people that CONEP has refused, without a valid reason, to participate in a meeting to which the leaders of the construction sector labor union had also been invited. The workers' leaders did go to the meeting.

We discount the reasons why CONEP did not agree to the dialogue. This attitude could be characterized as irresponsible and gives room for thoughts that CONEP has a plan that has nothing to do with efforts to maintain social peace in the country.

CONEP's statements to the effect that it plans to adopt measures after the legislative council decides on Bill 80 represents an unacceptable threat.

I want to go on record in the country saying that we will not attack the principles of the October Revolution which is based on harmonic relations between the two most important production sectors: responsible businessmen and the workers of the country.

Private enterprise must assume a more responsible role in the social and economic development in our nation and patriotically contribute to calm and social peace, the basis of our national wealth. Thank you. [end recording]

CSO: 3010/1422

VICE-PRESIDENTIAL TEAM EVALUATES ECONOMY

PY102050 Lima OIGA in Spanish 25 May 81 pp 28-32, 46

[Highlights of a report by a team of economists assembled by Peruvian Second Vice President Javier Alva Orlandini evaluating government action from July 1980 to April 1981 submitted to President Belaunde in Lima on 22 May 1981]

[Text] Production and Employment

The period that began in July 1980, despite the fact that there was an economic crisis, had the ideal conditions for a quick economic reactivation; the existence of a large international reserve and a certain recovery from the imbalances that had been burdening the country for 2 years made it feasible to implement a growth policy with goals that would have been easy to achieve, taking into account the very low GDP that existed as a starting point.

If the growth had not started before, it was in part due to the lack of confidence that the investor had in the previous government and because elections were about to be held, thus it was advisable to await the results and the new "rules of the game" before making important decisions. The results of the elections opened an inviting panorama for investment, not only because the elections had concluded normally, but also because of the large portion of votes obtained by the AP [Popular Action Party], including the support given afterwards to the AP by the PPC [Popular Christian Party], guaranteed a democratic government with the necessary force of a majority in congress.

The main reasons why there has not been a rapid expansion of the economy and a large increase in private investments are:

- A. The lack of an integral economic program that from the very beginning established "the rules of the game."
- B. A tariff policy that was indefinite at first, restrictive later and then was indefinite again.
- C. The feeling of instability, mainly because of the inflation rate and the exchange rate, which did not allow investors to make reasonably reliable estimates.

D. Imprecision regarding certain tax collection aspects, for example in the mining sector.

E. The increase in bank interest rates, and

F. In general a feeling of indifference, unstable government policies and the lack of receptivity projected by the economic team.

Prices

The announcement that the previous government had delayed enforcing a readjustment of prices and that the new government was forced to lift this restriction on prices may have spared the AP government from taking the political responsibility for the inflation during the months following the change of government. At present inflation has worsened and its control has become truly difficult. Moreover, the idea that everything was caused by the price restriction imposed during the previous government is no longer acceptable.

In general, inflation is caused by three possible situations:

A. An excess of demand, which is mainly caused by an excess of central bank issuances.

B. Higher costs (this may even include readjustment of fixed prices), which causes an increase of prices of certain products. But this is caused by higher costs and not by higher demand.

C. Speculation; since if the people are expecting a high inflation rate, they will be willing to pay higher prices (demanded by producers)—which in turn generates inflation—even though this speculation may have been unjustified. Moreover, producers will set their prices by speculating with the exchange and inflation rates.

Economists following a monetary theory tend not to give importance to causes B and C and they base their case on a sound and undeniable theory. But in truth, the economic situation is quite different and what happened in Peru in the last few months is a good example of this since inflation registered in this period was not tied to the result of a monetary policy.

In the second quarter of 1980 the inflation rate was quite low and a partial and quiet decontrol of prices was being planned for the second half of the year. In 1980 the inflation rate estimate ranged from 45 percent to 50 percent which was compatible with this policy. But after the new economic team took over, inflation deteriorated and by the end of the year the inflation rate totaled 60 percent without lifting restrictions on prices. In 1981 the inflation rate has continued to get higher.

The most obvious reasons for this phenomenon are:

A. The announcement of a lifting of price restrictions—which is economically self-defeating—generated and caused inflationary speculations.

B. The announcement of a 60-percent inflation rate for 1980, which was an unexpected percentage. Since the bank officials normally announce optimistic inflation rates, the people unjustly estimated that the inflation rate would total either 70 or 80 percent, which represented more than 100 percent in the annual rate during the last 5 months.

C. The increasing and unnecessary rhythm of devaluation (because of an increase in costs) during the second half of 1980 which deteriorated in the first months of 1981.

D. The lifting of price restrictions itself could have had a lesser inflationary effect if it had been announced a few months in advance; and even less if it had been enforced in a gradual manner (for rises in costs).

E. The hike in interest rates which increased costs and multiplied inflationary speculation, and

F. The policy of issuing many announcements on the increase of costs and the generalized feeling of having lost control of inflation.

Employment and Production

New investments in all productive sectors must be made by offering administrative support to investors, eliminating an excess of paperwork, promoting private initiative, reorganizing the tax structure to meet the needs of each activity and respecting government commitments either through laws or through official government-enforced policies. In sum, a trustworthy atmosphere that favors these investments must be generated.

Financial support must be equally distributed in keeping with the established priorities.

The orderly reactivation of the economy and the massive creation of new job sources can only be the result of carefully coordinated and coherent economic policies and their reliability.

Prices

Price policies must foresee those pressures generated by demand, by costs and inflationary speculation.

Regarding demand, a proper monetary handling is essential to eradicate inflation problems, but it must be accompanied by other measures that will obstruct the continuation of an inflationary process that is not caused by a monetary policy.

Regarding costs, measures should be issued very carefully, always keeping in mind the kind of measures that are issued, the impact that it will have and whether this is the proper time to issue them.

Price readjustments on foods and other basic products should be done in a gradual manner to avoid causing a harmful impact on the people. Whether or not to have subsidies must be studied case by case, depending on the type of product and their quantitative importance, but they should not exceed the reasonable limit. Subsidies must be paid by the government, never by the private sector, even less could we afford to subsidize the cities at the expense of the farmers.

Despite the concern shown to improve the workers' salary levels, salary increases must be realistic, since if they are excessive they may cause inflation and thus harm the workers themselves.

It is known that an increase in the devaluation and interest rates represent higher costs and hence, cause inflation; therefore, the handling of the interest and exchange rate policies must be closely coordinated with those anti-inflationary measures that are adopted.

Unjustified inflationary speculation should not be encouraged; truthful information and realistic estimates should be the policy followed to restore confidence among businessmen, consumers, workers, holders of saving accounts, etc.; the gradual enforcement of decisions will avoid disorientations and the generation of alarming predictions.

Evaluation of the Government Activity in the Economic and Financial Sectors

The national reserve has maintained a policy of issuing its decision within the framework of a traditional monetary program that is compatible with the estimated inflation rate. The increase of the inflation rate to 60 percent gave additional room for a monetary crisis in the second half of 1980. The same situation persisted in the first months of 1981. The series of mini-devaluations in addition to the increases in the interest rates and the lifting of price restrictions surpassed in importance the issuance of currency as a cause of inflation.

Taking a positive step, the central bank board has started to decrease those interest rates that affect bank deposits.

Thus, some of the available money, in relation to the growth of liquidity, is being channeled toward the private sector, although not in a very selective manner, permitting a flow of money with the apparent purpose of reactivating the economy. Moreover, the scope of the measure has very little significance if the opposite measures are taken into account, such as the increase in interest rates; inflation itself, which demands a greater nominal liquidity; and we must add the loss of international reserves that we have suffered in 1981. Thus we have to face the concrete fact that real liquidity is decreasing.

Regarding the public sector's credit, the central bank's flow of credit to the bank of the nation and/or treasury seems to have increased in an alarming manner. Although for the time being it is feasible for the increase of liquidity to be absorbed with ease, there is the doubt that in the very near future this may become a new source of inflation.

There are not indications that a selective credit program has been thought of. In this field the development banks are operating as they did before and it has even been observed that there is a lack of resources for FENT [expansion unknown] credits of the industrial bank, which are essential in supporting non-traditional exports.

The major error in the monetary policy is to be observed in the interest rate policy. The increase of these rates was vital in years gone by, but the reasons that were valid in those years have currently lost their validity.

Thus, the increase in interest rates has been one more cause of inflation and it has been far from achieving its traditional goals. It has also been a measure that has been implemented at an inopportune time because it has magnified the psychosis of inflation during the first 3 months of 1981.

Special mention must be made of the fact that it was announced that the higher interest rates would be abrogated as soon as the rhythm of inflation decreased, allegedly as of April 1981.

It is therefore not understood what significant advantages could be obtained with a 3-4 month increase in the interest rates and, on the contrary, it is not easily explained how the negative reaction of the person who saves has not been predicted, because in Peru he is especially susceptible when interest rates decrease. Maybe the only thing that will be achieved is the destruction of the confidence of this important human group.

Proposals for the Economic Sector's Policy for the 1981-85 Period

Given the current situation in Peru, it must be acknowledged that the traditional control of liquidity can be incompatible with the need for reactivating the economy. This means that the simple quantitative computation of liquidity is not sufficient and it must be complemented with goals, margins and considerations regarding its application. This does not mean that there can be an excess of credits and liquidity, not even in a selective manner.

As the possible expansion of credit is limited, it must be channeled toward priority goals which must be clearly determined. In the short term--which is understood as a confrontation with the current crisis--one of the first priorities is working capital for the industrial sector capable of expanding the use of its current installed capacity, which will bring favorable repercussions in the employment, productive and tax collection sectors; for the construction sector, which has the merit of quickly generating jobs and services; and for the agricultural sector, because the lack of financing for the agricultural campaigns can generate a drop in production, a lack of supply and the consequent increase in the prices of foodstuffs.

What has been said previously does not mean that there must be a neglect of the support for the key activities for outlining the strategy for medium and short term development. This is because decisive support must be given to investment agriculture, agroindustrial, decentralized industrial and export

sectors. The importance of other activities and sectors analyzed in the government's plan is not denied. The concept of priority must be clear, however, and the total of productive activities cannot be taken into account.

Credit for the public sector cannot exceed the material possibilities contained in the monetary program. Greater inflation is the consequence of such an excess and it is acknowledged that inflation is in fact a type of tax that is particularly unjust in its distribution. Always within realistic limits, preference will be given to financing the construction sector and other types of public investment capable of giving stimulus to the economy. Also there should be a stab at determining the inflationary impact of each type of public expenditure or investment.

Credit for the private sector must not be decreased as a consequence of the needs of the public sector. Guidelines must be established so that it is fluidly channeled to the activities that have been given priority without trying to create control systems that in the end weaken and fail due to their own complexity. The measures for monetary control deemed necessary must be of a neutral nature, effecting liquidity as a whole. They specifically must not withdraw support from activities that are considered to be priorities.

The equilibrium of the balance of payments, even including a moderate deficit, is of singular importance. This is to prevent the external sector from generating increases in internal liquidity. In that case there would be no guidelines regarding the selective needs of the economy. Moreover, this point currently appears easy to comply with in view of the recent difficulties observed regarding the balance of payments.

Ideally it is acknowledged that interest rates must be positive in real terms with the purpose of maintaining an adequate level of internal savings. But this principle can be applied partially and temporarily not complied with if it causes major problems, such as an inopportune impact on inflationary expectations or if there is a lack of encouragement for investment at key times.

The development banks must receive support within the functions of the current plan. This support must be extensive for the agrarian bank and the industrial bank, because they deal with FENT credits and working capital. It could also be extending to the housing bank and the central mortgage bank as soon as their current resources can be justified as scarce. Regarding the mining bank, a stab will be made at trying to obtain sufficient resources for it from abroad.

The policy implemented by the Central Reserve Bank must be coordinated with the development banks in such a way that the latter are in a position to adjust their decision to that policy. In this respect, the development banks will be required to attend to two types of recommendations: those that come from the respective sector that supports them and are of a technical and specialized nature; and those of the Central Reserve Bank in monetary matters and of the channeling of loans for the various objectives.

It must be noted that the limitations in the monetary sector can cause the postponement of or minimize actions that are considered important in the government's plan.

External Sector

Tariff Policy

Evaluation and Problems of the Official Management

It is evident that when the AP assumed office national industry was overly protected in the tariff sector and this had given way in many cases to high prices and low quality of industrial products.

Nevertheless, the enforcement of this tariff policy and other parallel measures protected national industry, significantly helped to increase industrial production, generated investments in the industrial sector, helped to establish a national industry sector and formed an important contingent of qualified hand laborers. But consumers and the country in general paid a high cost for this industrial growth both because of inefficiency and because of the large amount that had to be spent for its operation.

The present economic leadership has criticized the development program enforced during the seventies and it has proposed a new economic program based on a liberal economic policy in which both the domestic and foreign markets play a preponderant role in assigning resources and fixing prices.

The enforced measures have had a negative impact in the development of the national economy and it had generated serious political and social problems between workers and businessmen and the government because of the following reasons:

- A. The process of reducing tariffs was too sudden. It was carried out on the basis of detailed technical and economic studies and with little discussion with the pertinent business and labor sectors.
- B. Contrary to what were pointed out as being the main objectives for reducing tariffs, this measure has not increased employment or production and in some cases it has even undermined them.
- C. The decrease in prices, caused by lowering the barriers to imports, was less than what government officials had originally expected; and it therefore did not significantly contribute to lowering inflation. Moreover, in some cases it caused an increase of prices of domestic products, such as cars.
- D. We believe that the import of a large number of sophisticated perishable and non-perishable goods means that there is a squandering of resources. Therefore, we believe that these imports must be controlled by a certain kind of tariff policy that will provide the government with more income.
- E. The fact that the government has carried out a reorganization in the tariff sector without defining a new industrial development program or promoting the new general law for industries--which was supposed to be issued by the end of 1980--is something very strange and is the subject of many commentaries.

Recommendations for the Tariff Policy

To correct the deficiencies of the present tariff policy and solve the main problems that it is generating, we make the following recommendations:

- A. A tariff policy should not be uniform since this means that certain development production sectors are not given priority by other means than market development which at present, as has been pointed out before, is experiencing serious limitations in fulfilling this objective.
- B. A tariff policy must be established based on the future industrial law, which in turn must be based on the basic principles of selectivity and interrelation, since because of the size of the country, the kind of natural, human and capital resources available and its relatively poor level of development, it is not possible to develop the entire spectrum of industrial products. Certain products must be given priority (the principle of selection) taking into account the potential of resources available in the country (the principle of interrelation).
- C. The tariff policy and other parallel measures must be established while keeping in mind that certain products will experience a hike in their prices that is not in keeping with the level of development of our country and will not be accessible to the large majority of Peruvians.
- D. It is necessary to have the active participation of representatives from the business and labor sectors and from national study and research centers to establish a tariff policy; but this must be done not only on the basis of technical and economic reasons but also taking into account the social and political situation.

Balance of Payments

Evaluation and Problems of the Official Management

It is general knowledge that the balance of payments is the result of trading our national goods, services, and capital with other countries and that one of the main objectives of the "economic policy is to have a good balance of payments and to maintain the necessary level of reserves to carry the burden of any situation."

When the AP government assumed power the country had just emerged from one of the worst periods that the national economy has ever experienced in its history. In July 1980 trade favored our country and reserves totaled a net of \$2 billion.

At present, as a result of the lowering of import barriers, which caused a sharp increase in imports; the lowering of international prices for the main products that the country imports; the international economic recession and an increase of protectionist barriers in industrialized countries, the situation of our balance of payments is not that favorable. Because of this

situation Peru lost about \$500 million during the first 4 months of 1981 and it is estimated that by the end of 1981 the balance of payments will show a minimal surplus or perhaps even a deficit.

The evolution of foreign markets has had a negative impact not only on the prices of traditional exports but also on the level of non-traditional exports because of the protectionist measures enforced in foreign markets; this is in addition to the eradication of the cortex [export certificate].

Mainly because of the high expenses caused by the foreign debt and the remission of profits by foreign enterprises, it is estimated that by the end of 1981 the deficit of the current account of the balance of payments will be about \$1 billion.

It is obvious that because of this situation there is an urgent need to acquire more short-term foreign loans and to increase direct foreign investments.

Recommendations To Rectify the Balance of Payments

To maintain a proper balance of payments and, therefore, to maintain the present level of reserves and thus support a proper economic, social and political development, we make the following recommendations:

- A. To promote and defend prices and markets for our traditional and non-traditional export products through a joint undertaking of the government and the private business sector.
- B. To issue soft credits in a selective manner so as to support priority programs in the productive sector, particularly short-term projects.
- C. To avoid contracting more debts which may generate an imbalance in our foreign debt in the next few years.
- D. To promote the reactivation of the production sector toward activities that will consume relatively less net reserves.

Evaluation of the Present Government Exchange Rate Policy and Its Main Problems

The present government exchange rate policy was proposed by the chairman of the Council of Ministers on 27 August 1980 and it establishes that the national reserve must adopt realistic measures that are compatible with the development of the balance of payments and in keeping with domestic and international inflation levels, while trying to avoid any sharp changes that will only help to cause speculation.

This means that in general terms the present government exchange rate policy is the same that has been enforced since mid-1978. The only major difference between the two is that the situation in 1978 was completely different than what it is today because of the anguishing shortage of reserves which has led to the devaluation of the sol.

It must be noted, moreover, that at present the national reserve is not announcing the level of exchange rate that it will be using in future operations, something which it had been doing until July 1980, 3 months ahead.

Aside from the fact that the sol may be overvalued or undervalued during a specific period of the year and, accepting the validity of the present method, which in general is the same one that has been enforced for the past 3 years-- it is obvious that there is a problem in determining the time when the official exchange rate is the same as the parity exchange [paridad de cambio]. It is well-known that the technical estimates in this regard are a bit arbitrary and they are generally not accepted. But the most worrisome thing is that there is well-grounded reason to state that the estimates of the present exchange rate--based on the comparison of our consumer price index with the price indices of countries which supply our imports (mainly the United States)-- is not the most suitable.

Recommendations for the Exchange Rate Policy

1. The exchange rate must be established in keeping with a series of factors, the most important of which are the following:

- A. Domestic and international inflation.
- B. Index prices of the goods and services that make up the costs of enterprises, particularly exporting enterprises.
- C. Variations in the exchange rate.
- D. The situation and trend of international reserves.
- E. The need to moderate the expectations of the people.
- F. Social and political factors and special situations.

2. In view of the aforementioned factors, the political priorities must be considered, since in many cases they may be opposing each other. They are the following:

- A. A balanced long-term foreign payment.
- B. Balanced short-term foreign payment.
- C. Maintaining exports on a competitive level.
- D. Do not increase or decrease the exchange rate to protect national industry or enforce unreal exchange rates.
- E. Increase the national reserves.
- F. Decrease domestic inflation as soon as possible.
- G. Maintain social and political calm.

3. Maintain with small fluctuations and in keeping with the situation, a realistic exchange rate.

4. Continue enforcing a policy of mini-devaluations and if possible gradually reinforce the practice of reporting the exchange rate ahead of time so that people may trust economic factors and eradicate uncertainty and speculation.

'CARETAS' ANALYZES ALVA'S POLITICAL MANEUVERING

PY101710 Lima CARETAS in Spanish 25 May 81 pp 13-15, 67

[Excerpts] Deputy Antonio Luis Percovich Roca, a representative for Ancash, has been elected president of the Chamber of Deputies for the 1981-82 period which will begin in July. His victory came as a surprise for many, even for supporters of Second Vice President Alva Orlandini--judging from the outburst of joy they experienced at the outcome of the election.

The remarkable thing is that Senator Javier Alva Orlandini, the second vice president of the republic, virtual future president of the Senate and self-proclaimed future secretary general of the Popular Action Party, has openly supported Percovich, who is obviously his political protege. Like never before, Alva Orlandini revives today the relatively outdated image of the party machinery boss who accumulates posts and does favors.

That the Alva machinery worked in favor of Percovich cannot be doubted. Of the 55 deputies committed to vote for Percovich by signing a document, all of them faithfully kept their commitment except for Cesar Magno Rojas Peralta, a deputy for Junin. Rojas Peralta apologized for not attending the vote due to the death of a very close relative.

The victory of the Alva group is also a victory of the provinces over the capital. The following outline of how 98 AP deputies voted on 21 May is self explanatory:

for Percovich: 45 deputies of the Interior
3 deputies from El Callao
6 deputies from the capital

for Mendoza: 27 deputies of the Interior
3 deputies of Lima Department
12 deputies from the capital

The trips the "big owl" (lechuzon--apparently a nickname given to Alva Orlandini) has been making throughout the country the year round are not for leisure.

Things, however, are not as simple as they seem. The executive branch, winner of the 18 May elections, has intelligently sought the cooperation of independent and talented technocrats to make up a team and draw up a plan.

In a country that has spent 12 years without a congress and has never had a chance to practice much in this field, various young and some not so young technocrats believed that having a strong pro-government majority in the two houses and a truly able politician like Belaunde for president, they could engage in macroeconomic rationalism, underestimating perhaps the significance of certain popular requirements.

Going, perhaps, to an extreme, this is one of the defects of the executive branch. It feels very sure of itself and could tend to underestimate certain micropolitical facts in favor of a macroeconomic rationalism.

The defect of what Alva stands for is quite the opposite. Being a senator whose clientele stands in line he has proven that handing out recommendations is neither as obsolete or as populist as it may seem. However, Alva's faction is incapable of drawing up an alternative macroeconomic package. His field of action is that of petty immediate needs, exchange of political favors and micropolitics which at one point, and not only in this country, become part of the internal framework of a democratic regime.

However, the big owl for Cajamarca, lugging around a bag full of these petty needs, these "minute things of life" which the soap operas dwell on, stands for something else too.

Amid the uproar of victory celebrations, Alva said that as of 28 July there would be no more "servile" senators or deputies. From that date on legislative and supervisory powers would be fully exercised and the party must be made to toe the line in order to avoid contradictions. This broadside fired by the "big owl" irritated Trelles, hurt Paco Belaunde, brother of the president, the Foreign Minister Arias Stella and inevitably recocheted at Prime Minister Ulloa.

It sounded just like an announcement of a new regime because it was made not by just any leader but by the man who is second vice president, who will be president of the Senate and also secretary general of the Popular Action Party.

Could we have here a true power which wants not only a piece of the action but also exercises an aggressive internal policy?

In sum, Alva could become, not a programmatic option, but a kind of government parallel to the cabinet. Because, let us face facts, nowadays with premiers to burn, the president of the nation, or more specifically architect Belaunde Terry, enjoys a kind of monarchic position. He is King Juan Carlos who has a Suarez. A Suarez who could be replaced by a Calvo Sotelo.

This is the field where some see, exaggerating a little bit, that the victory of Percovich and Alva's faction is a strategic palace maneuver.

There is little doubt that having as many reins in hand as Alva is supposed to have is very advantageous as long as the rider remains loyal and as long as Second Vice President Alva does not turn out to be like First Vice President Seoane.

In the meantime, within this constant play of subtleties and hints called politics, the fact that Alva is publicly criticizing the programs of his own government team is not entirely negative.

There are some who reason, for example, that this way the regime not only takes issues away from the opposition but that it creates its own loyal opposition--just like the Nescafe factory putting out a product called kirma--and that this opposition can publicly voice what is being perceived as popular feelings against what is being silently noted as painful political needs.

This escape valve could also channel internal party concerns. It is something similar to what the military had wanted to do: become revolutionary leaders so as to avoid the revolution.

Meanwhile, a supervising congress, the very pro-government majority could, in the purest democratic style and within the framework of respect for the independence of the branches, begin large-scale surgery such as criticizing ministers and could even oust a premier who has made too many mistakes.

Recently there have been some rehearsals in this directions supported, no less, by a thesis upheld by Enrique Chirinos Soto (PAP) (Peruvian Aprista Party), according to which an invitation issued to a minister is merely a congressional summons of the second degree. The minister of fisheries Rene Dustua has been through the wringer thanks to this interpretation, having been given a deadline to appear and showered with questions; and the ministers of health, interior and possibly agriculture are queuing up.

In a young democracy like ours, the game of pretending disagreements within the government could be dangerous. Perhaps this is why Alva picked Percovich: as a chemist he should make order and reason prevail. And Percovich seems to be a man who is well aware that the national economy must be basically managed through consolidated planning, and that yesterday's congressional proposals are today not only unconstitutional but irrational.

Amid the dangerous tensions existing within the government, Percovich seems to have the steady pulse of a pharmacist. It remains to be seen whether Javier Alva Orlandini will be able to refrain from some excesses, for instance that of using government-owned television Channel 7 to eulogize himself.

There is a last fact which could contribute to promoting a balanced behavior: the Alva faction did not obtain a landslide victory. Percovich defeated Mendoza by only a 54-42 vote. Furthermore, the reason Alva will be the only candidate for president of the Senate is because Belaunde asked for it. In the Senate, there are two PAP factions consisting of 13 and 12 senators, respectively, and it is almost certain that had Gaston Acurio decided to run he would have had the votes of the left, of the Popular Christian Party and of at least some members of the American Revolutionary Popular Alliance with which he would have won the election.

Furthermore, as though denying any complicity with the Alva faction's attempt at controlling congress, President Belaunde first accepted a suggestion to the effect that the defeated candidate be automatically the vice president of the

winning slate. But in the awareness that this procedure could become some sort of a trojan horse--since the PAP leaders have agreed not to monopolize executive positions during this presidential term--Belaunde called Acurio and asked him to relieve from this commitment only a defeated candidate who automatically becomes vice president of the winning slate. While Percovich agreed to this, Mendoza left for abroad (Panama and Venezuela) unaware of the good news.

In sum, whether Alva represents a parallel government which seeks to take the role of "a prime power of the state" or he is just cautiously implementing a palace strategy, his powers continue to be delegated, not only because Belaunde continues to be "the boss" (and there would only be parallelism of power with the prime minister, not with the president) but because the powers accumulated by Alva as a senator-vice-president-president of the Senate-secretary general of the party will make him more vulnerable and responsible for any problem. If things do not go well, the triumphant "Ave Caesar" that can be heard today may be followed by Alva's downfall.

CSO: 3010/1424

GOVERNMENT ANTITERRORIST ACTIONS PRAISED

PY051757 Lima EL COMERCIO in Spanish 22 May 81 p 2

[Editorial: "Let's Stop Terrorism"]

[Text] A day does not pass by without a new terrorist attack--sometimes more than one--in different parts of the country. Recently, and with unusual characteristics, these attacks have even begun to take place in Lima and its environs. It seems that the phenomenon has become part of the daily grind of the national community because that is what the agents of subversion have decided.

Means of communication, high tension pylons, educational centers, political centers, private establishments, and in general public and private property are the target of terrorist acts. Aside from causing alarm and spreading fear among the population these acts produce considerable material damage. In some cases these acts cause irreversible harm to the guardians of public order or to innocent bystanders who find themselves at the scene of these true acts of barbarism.

In only the last 2 days, according to reports by capital area media, terrorists have damaged two high-tension pylons near Lima, attacked a political center, and tried to burn down a judicial office. In all these cases one assesses the identical characteristics and unconcealed extremist handiwork.

The effective measures employed by the Interior Ministry through police departments have permitted if not warding off the danger of terrorism, at least lessening its impact. Suddenly, however, there has been a new outbreak of the evil, this time in a more brazen form.

Institutions of different stripes, politicians of different tendencies, and the general citizenry have quite rightly begun to become worried. They have begun to express their will to contribute in a thorough campaign to eradicate terrorism, without waiting for it to become an unstoppable plague impossible to root out.

Doubtless, however, the responsibility for this campaign lies with the police. It is they whom the law calls upon to watch over internal security and safeguard those who live in the city from this danger so they may move around free from all risk.

The exemplary conduct of the police in this regard affords the confidence that their action will not be delayed by anything. The interior minister, a well-known democrat, has time and again expressed his decision to act and to punish lawbreakers in accordance with the law.

The exemplary attitude of our law enforcement officials merits the people's support and is a prime factor in deterring terrorist practices by extremist political factions and elements of the drug traffic underworld.

We have been experiencing serious acts which must be stopped at all costs, but in accordance with the law. Otherwise, we run the risk of watching the institutionalization of crimes and the prevalence of rival gangs, subversive groups and terrorists over our land which has always been a place of peace, order and fraternity.

CSO: 3010/1424

SHIPBUILDING ACTIVITIES REPORTED

PY051635 Lima EL COMERCIO in Spanish 23 May 81 p 1

[Text] SIMA [Maritime Industrial Service] shipyards are currently building two tankers for Petro-Peru [State Petroleum Agency], five patrol boats for the Peruvian Navy, a boat for hydrographic purposes, and one tug, thus demonstrating the very high technology this Peruvian firm has achieved. The firm also only uses Peruvian technicians.

This information was released yesterday by the chairman of SIMA-Peru, Vice Adm Ricardo Zeballos Newton, after he signed a joint cooperation agreement with ENAFER [National Railway Enterprise] and with COFIDE [Financial Development Corporation] in the offices of the latter.

Zeballos also indicated that the modified cargo ship "Maranon" is about to be handed over to the Peruvian Shipping Company and that the construction of six tuna fishing boats, owned by the firm that went under the name of PICSA [expansion unknown], is almost finished.

Up to the present time SIMA has constructed 19 vessels of various types and tonnage. The first one was the tanker "Zorritos" with an 8,500 ton deadweight. It then proceeded to build tankers, grain ships and other types of vessels up to 25,000 tons deadweight.

The most recent contracts were signed for the construction of two tankers for the firm of Transoceanica, which is Petro-Peru's shipping line.

Moreover, Zeballos indicated that SIMA is ever-increasingly expanding its coverage, offering its services to various sectors in view of its current capacity as a highly qualified firm from a technical viewpoint.

The idea is, the chairman said, that SIMA should participate in meeting the requirements of various production sectors which are currently shopping abroad for certain equipment that this state enterprise is capable of supplying.

CSO: 3010/1424

BRIEFS

TELETYPE NEWS SERVICE--Iquitos, Peru, 30 May (AFP)--The Iquitos radio station La Voz de La Selva has officially inaugurated a teletype news service using AFP. [Paris AFP in Spanish 1910 GMT 30 May 81 PY]

NEW TELEVISION STATIONS--Lima, 6 Jun (AFP)--The Transport and Communications Ministry has reported that it has authorized three new television stations to operate in Lima. It has also authorized the installation of a television station in Tumbes, near Ecuadorean border. [Paris AFP in Spanish 1910 GMT 6 Jun 81 PY]

AIR SERVICE--Lima, 6 Jun (AFP)--The Peruvian commercial airline Faucett has announced that it will start flying from Pucallpa, Peruvian Amazon, to the Brazilian cities of Cruzeiro do Sul and Rio Branco about mid-July. [Paris AFP in Spanish 1818 GMT 6 Jun 81 PY]

MERCHANT SHIPS TRAFFIC--Peruvian and Argentine officials have met in Lima to discuss matters related to maritime traffic in order to regulate this traffic between the two countries. [Lima EL COMERCIO in Spanish 31 May 81 p 22 PY]

DIRIGIBLE FOR PERU--Lima, 4 Jun (AFP)--The Peruvian fishing minister has announced that he will leave for the FRG to discuss the purchase of a dirigible for oceanographic research and also for watching the 200-mile sea coast. He said that each dirigible costs about \$2 million and may be financed to 30 years at a low interest rate. [Paris AFP in Spanish 0239 GMT 5 Jun 81 PY]

HYDROELECTRIC PROJECT--Arequipa, 19 May--The Arequipa Department will satisfy its energy needs with the construction of the Lluta and Lluclla hydroelectric projects, both part of the Majes project. The two dams will cost \$610 million and will generate 274 megawatts and 382 megawatts respectively. [Lima EL COMERCIO in Spanish 20 May 81 p 14 PY]

ELECTRICAL PROJECTS--Electroperu has reported that it plans to invest about \$800 million during the next 5 years in 10 important electrical projects. The projects are: construction of the Carhuaquero hydroelectric project that will produce 75,000 kw for the Lambayeque Department; enlargement of the

Canon Del Pato hydroelectric plant from 100,000 to 150,000 kw to provide more power to Chimbote and Trujillo; completion of the third stage of the Mantaro project that will produce more than a million kilowatts; construction of the Charcani hydroelectric plant in the south with 146,000 kw; construction of the Cusco regional electrical system in the southeast, including the enlargement of the Machu Picchu dam from 40,000 kw to 110,000 kw. [Lima EL COMERCIO in Spanish 22 May 81 p 3 PY]

PARIS MEETING--The investment projects for about \$5 billion submitted by Peru during the Paris meeting have been accepted because they are justified from the economic aspect and production capacity, said Energy and Mines Minister Pablo Kuczynski after a cabinet meeting in the Government House yesterday. He said that during the cabinet meeting, he briefed President Fernando Belaunde Terry about the negotiations carried out by Premier Manuel Ulloa and his team during the Paris meeting. Minister Kuczynski, who a few hours earlier returned from Europe via New York, also said that important progress was made regarding the government's concern to lower the cost of living and to quickly increase the employment rate. Regarding investments in the energy and mining sector, he said that this is expected to be from 35 to 40 percent of the \$12 billion investment program planned for the 1981-85 period. He explained that the debt is not as high as is believed. This is because as the loans are used they are decreasing with the amortization. He said that during the Paris meeting, he discussed oil programs that included the Shell Company. Regarding investments in the mining field, he revealed that an agreement was reached with the French geological investment office for financing the study of the Tambogrande project. The economic participation of this French company is not as a loan but as an investment, said Kuczynski. [Excerpt] [PY101913 Lima EL COMERCIO in Spanish 30 May 81 p 4]

COMMUNIST MAYOR SUSPENDED--Lima, 6 Jun (TELAM)--Seven councilmen of the Carabayllo Municipal Council, 30 kilometers north of Lima, have criticized and nullified the administrative measures of the communist mayor, Jose Ignacio Tavera Castilla and have also suspended him. The municipality was put in charge of a council member of the government party popular action and the decision made known to the electoral court. The measure was taken due to the mayor's refusal to order a session of the municipal council in the last 3 months and in view of the chaos and administrative crisis, waste and attacks by leftist groups. The Carabayllo Municipality last year elected 14 councilmen, one of whom, a leftist, is under arrest in the Lurigancho jail on charges of terrorist activities. [Text] [PY091641 Buenos Aires TELAM in Spanish 0440 GMT 7 Jun 81]

CSO: 3010/1424

BRIEFS

SENATE DEFENSE COMMITTEE TRIP--The Senate's defense committee this weekend will visit military installations on the southern border of the country. At a later date the committee members will travel to Brazil to meet with congressmen and other civilian and military officials of that country, Committee President Pedro Pablo Aguilar has affirmed. Aguilar added that one of the objectives of the committee is to publicize Venezuela's reasons behind its reclamation of the Essequibo region. He also said congress is interested in that border area and in the military posts and installations that have been established there. Concerning the visit to Brazil, the COPEI senator said it would be very advantageous to strengthen and broaden our relations with that country. [Text] [PA060211 Caracas Radio Continente Network in Spanish 2100 GMT 5 Jun 81]

AIR FORCE OFFICER ARRESTED--Air Force officer Braulio Martinez was arrested for violating military secrecy prohibited by law, acting defense minister Gen Hector Rodriguez Revelo announced. He added that the officer is under arrest while investigations are going on. The minister said that some months ago Martinez' demand for a promotion had been published by the press. In this request, General Rodriguez said, Martinez violated military secrecy and an arrest warrant was issued against him. General Rodriguez Revelo said military promotions are a reward for conduct and not because of [words indistinct]. [Text] [PA112315 Caracas Radio Continente Network in Spanish 2100 GMT 11 Jun 81]

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